

1 will require all contractors to obtain and maintain all bonds required to be carried
2 by any applicable law, regulation, or rule.
3
4

5 **ARTICLE XIII - SUCCESSORS AND ASSIGNS**
6

7 **13.1 Successors and Assigns**

8 This Agreement is binding upon and inures to the benefit of the Parties and their
9 respective heirs, successors and assigns. Each Party will incorporate in any
10 assignment or transfer of its interest in the Host, the Isabela Lease, the MC 519
11 Unit Leases or the LSPS a provision that such assignment is subject to this
12 Agreement.
13

14 **13.2 Assignment**

15 **13.2.1** The Producers and the LSPS Owners or each individual member of the
16 Producers and the LSPS Owners have the right at any time to assign its or
17 their rights and obligations in this Agreement in whole or in part to an
18 Affiliate without the prior written consent of the Owner, or to any Third
19 Party that is financially responsible with the prior written consent of the
20 Owner, such consent not to be unreasonably withheld. The sale or transfer
21 of any ownership interest in the Satellite Leases and the LSPS will not be
22 subject to the prior written consent of the Owner but will be made subject
23 to the rights, duties and obligations of this Agreement, and any such
24 transferee will be obligated to ratify and join this Agreement. Written
25 notice of the completion of any sale or transfer must be given to the Host
26 Operator within sixty (60) Days of the completion of such transaction and
27 no assignment will be effective until such sixty (60) Days time period
28 concludes. The Producers remain responsible for any costs incurred by
29 the Producers, under the terms of this Agreement prior to (a) the Producers
30 receipt of written consent of the assignment from the Owner, (b) Host
31 Operator's receipt of written notice of the assignment and (c) the
32 assignee's ratification and joinder to this Agreement.
33

34 **13.2.2** The sale or transfer by the Owner of any ownership interest in the Host
35 will be made subject to the Owner's rights, duties and obligations under
36 this Agreement, and any such transferee of such rights, duties and
37 obligations is obligated to ratify and join this Agreement. Written notice
38 of the completion of any such sale or transfer must be given to the
39 Producers within thirty (30) Days of the completion of such transaction.
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43

ARTICLE XIV - NOTICES

14.1 Giving and Responding to Notices

Unless otherwise specifically provided herein to the contrary, all notices, responses, demands, waivers, consents and other communications required or permitted to be given under this Agreement will be made in writing, and delivered to the designated representative in person, by facsimile transmission (followed by a telephone call confirming receipt), by U.S. mail, by overnight express or courier, in each instance with proof of delivery. Notices and responses are deemed to have been duly given and to have become effective (i) upon receipt if delivered in person; (ii) upon receipt if given by facsimile so long as receipt is confirmed by telephone, (iii) two (2) Business Days after having been delivered to an air courier for overnight delivery; or (iv) upon receipt after having been deposited in the U.S. mail, in each instance all fees prepaid. Any such notice is required to and will be directed to the Party, or its permitted assignee. Failure to timely respond to any matter requiring consent is deemed a negative response to such proposal. The following addresses will remain effective until such time as a Party changes its address for notice by giving to the other Parties in accordance with this Section 14.1 (*Giving and Responding to Notices*) of this Agreement.

21 If to the Isabela Operator, to:

Payments:

BP America Production Company
P.O. Box 848129
Dallas, Texas 75284-8129

Operational Matters:

BP Exploration & Production, Inc.
200 Westlake Park Blvd.
Houston, Texas 77079
Attn: Starlee Waligura, Na Kika Area Operations Manager
Telephone: (281) 366-1494
Facsimile: (281) 366 2512

Notices:

BP Exploration & Production, Inc.
200 Westlake Park Blvd.
Houston, Texas 77079
Attn: Kemper Howe, Gulf of Mexico Land Manager
Telephone: (281) 366-1278
Facsimile: (281) 366-7569

1 If to the MC 519 Unit Operator, to:

2 Payments:

3 Noble Energy, Inc.
4 P.O. Box 909
5 Ardmore, Oklahoma 73042
6 Attn: Accounts Payable, Deepwater Gulf of Mexico

7 Operational Matters:

8 Noble Energy, Inc.
9 100 Glenborough Drive, Suite 100
10 Houston, Texas 77067
11 Attn: Charles I. Hutto, Deepwater Production Manager
12 Telephone: (281) 876-6277
13 Facsimile: (281) 876-3000

14
15 Notices:

16 Noble Energy, Inc.
17 100 Glenborough Drive, Suite 100
18 Houston, Texas 77067
19 Attn: Daniel S. Mills, Deepwater Land Manager
20 Telephone: (281) 874-6063
21 Facsimile: (281) 876-6300

22
23
24 If to the Host Operator, to:

25 Payments:

26 BP America Production Company
27 P.O. Box 848129
28 Dallas, Texas 75284-8129
29

30 Operational Matters:

31 BP Exploration & Production, Inc.
32 200 Westlake Park Blvd.
33 Houston, Texas 77079
34 Attn: Starlee Waligura, Na Kika Area Operations Manager
35 Telephone: (281) 366-1494
36 Facsimile: (281) 366-2512
37

1 Notices:

2 BP Exploration & Production, Inc.
3 200 Westlake Park Blvd.
4 Houston, Texas 77079
5 Attn: Kemper Howe, Gulf of Mexico Land Manager
6 Telephone: (281) 366-1278
7 Facsimile: (281) 366-7569

8
9 If to the Owner, to:

10 Notices:

11 BP Exploration & Production, Inc.
12 200 Westlake Park Blvd.
13 Houston, Texas 77079
14 Attn: Kemper Howe, Gulf of Mexico Land Manager
15 Telephone: (281) 366-1278
16 Facsimile: (281) 366-7569

17
18 If to the Producers and LSPS Owners to:

19 (a) BP Exploration & Production, Inc.

20 Notices:

21 BP Exploration & Production, Inc.
22 200 Westlake Park Blvd.
23 Houston, Texas 77079
24 Attn: Kemper Howe, Gulf of Mexico Land Manager
25 Telephone: (281) 366-1278
26 Facsimile: (281) 366-7569

27 Production Nomination Notices:

28 BP Exploration & Production, Inc.
29 201 Helios Way
30 Houston, Texas 77079
31 Attn: Tim Cooper, Operations Services Representative
32 Telephone: (713) 323-5824
33 Facsimile: (713) 323-7468

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1 (b) Noble Energy, Inc.

2 3 Notices:

Production Nomination Notices:

18
19 (c) Red Willow Offshore, LLC

20
21 Notices:
22 1415 Louisiana St., Ste. 3650
23 Houston, Texas 77002
24 Attn: Rex Richardson
25 Telephone: (281)-822-7509
26 Facsimile: (281)-822-7501

27
28 Production Nomination Notices:

29 14933 Highway 172
30 P.O. Box 369
31 Ignacio, Colorado 81137
32 Attn: Cindy Percell
33 Telephone: (970)-563-5212 (Direct)
34 (970)-563-5210 (Main)
35 Facsimile: (970)-563-5211

1 (d) Houston Energy Deepwater Ventures I, LLC
2

3 Notices:

4 1415 Louisiana St. Ste. 2400
5 Houston, Texas 77002
6 Attn: P. David Amend
7 Telephone: 713-586-5712
8 Facsimile: 713-650-8305
9

10 Production Nomination Notices:

11 1415 Louisiana St. Ste. 2400
12 Houston, Texas 77002
13 Attn: P. David Amend
14 Telephone: 713-586-5712
15 Facsimile: 713-650-8305
16

17 **14.2 Content of Notice**

18 Any notice which requires a response within a time period will indicate the
19 applicable response time. Any notice must contain sufficient detail to allow the
20 Parties to adequately evaluate the scope, timing, costs, etc. of the matter/proposal.
21

22 **ARTICLE XV - ADMINISTRATIVE AND MISCELLANEOUS**
23

24 **15.1 Infrastructure Disclaimer**

25 THE PRODUCERS HAVE INSPECTED THE HOST AND THE PRODUCERS
26 ASSUME ALL RISKS TO THE COMPONENTS OF THE FACILITY ACCESS
27 MODIFICATIONS ATTENDANT OR RELATED TO THE PLACING OF
28 COMPONENTS OF THE FACILITY ACCESS MODIFICATIONS THEREON,
29 AND WILL HOLD THE OWNER HARMLESS FROM ANY LOSS OR
30 DAMAGE OR DESTRUCTION TO SAID COMPONENTS OF THE FACILITY
31 ACCESS MODIFICATIONS RESULTING FROM, ARISING OUT OF, OR
32 RELATED IN ANY WAY TO THE HOST, OR ANY DEFECT IN, OR
33 FAILURE OF SAME, REGARDLESS OF WHETHER SUCH DEFECT,
34 FAILURE, OR OTHER CONDITION OF THE HOST IS DUE TO THE SOLE
35 OR JOINT NEGLIGENCE OR FAULT OF THE OWNER.
36

37 **15.2 Disclaimer of Warranties**

38 THE PRODUCERS AND THE LSPS OWNERS ACKNOWLEDGE THAT,
39 NOTWITHSTANDING ANY PROVISION HEREIN TO THE CONTRARY,
40 THE HOST AND ANY INFRASTRUCTURE, FLOWLINE, PLATFORM,
41

1 FACILITY, EQUIPMENT OR OTHER PROPERTY, PERSONAL OR REAL,
 2 MOVABLE OR IMMOVABLE LOCATED THEREON OR CONNECTED
 3 THERETO ARE ACCEPTED BY THE PRODUCERS AND BY THE LSPS
 4 OWNERS AND ARE PROVIDED "AS IS", "WITH ALL FAULTS", WITHOUT
 5 ANY STATUTORY, EXPRESS, OR IMPLIED WARRANTIES OR
 6 REPRESENTATIONS INCLUDING, WITHOUT LIMITATION, ANY
 7 WARRANTY OF FITNESS, QUALITY, MERCHANTABILITY, OR
 8 CONDITION. THE PRODUCERS AND THE LSPS OWNERS
 9 ACKNOWLEDGE THAT THE OWNER HAS NOT MADE, AND THE
 10 OWNER HEREBY EXPRESSLY DISCLAIMS ANY SUCH
 11 REPRESENTATIONS OR WARRANTIES. EXCEPT AS OTHERWISE
 12 PROVIDED HEREIN, THE PRODUCERS AND THE LSPS OWNERS
 13 EXPRESSLY ASSUME THE RISK THAT ANY DEFECT IN OR FAILURE OF
 14 SUCH HOST, INFRASTRUCTURE, PLATFORM, FACILITY, EQUIPMENT,
 15 OR PROPERTY MAY RENDER SUCH ITEMS UNFIT FOR THE PURPOSES
 16 SET FORTH HEREIN.
 17

18 **15.3 Host Access & Boarding**

19 (a) Each Satellite Operator and the LSPS Operator will provide the Host
 20 Operator with at least fifteen (15) Days prior reasonable notice of, and
 21 obtain prior permission for, any intent to board the Host to conduct
 22 operations as contemplated herein. This notice must include a detailed
 23 description of the operation(s) to be conducted, a summary of anticipated
 24 work procedures, a summary of the tools and equipment that are
 25 anticipated to be used when performing the operation(s), the anticipated
 26 work schedule, as well as a brief description of the number of Satellite
 27 Operator employees or LPSP Operator employees, or their contractors' or
 28 subcontractors' employees or agents requesting boarding permission and
 29 the length of stay. Furthermore, this notice must conform to the Host
 30 Operator's standard requirements for a "work permit", as amended from
 31 time to time. Upon receipt of such prior reasonable notice, and if the Host
 32 Operator determines, in its sole discretion, that there will be no
 33 unreasonable conflict or interference with its own operations, the Host
 34 Operator will provide the Satellite Operator, at the Producers' sole cost,
 35 risk, liability and expense, or the LSPS Operator at the LSPS Owners' sole
 36 cost, risk, liability and expense, rights of ingress and egress to certain
 37 space on the Host for the purposes of installing the LSPS or Facility
 38 Access Modifications or the Satellite Well System as provided for herein.
 39 Such ingress and egress, and all activities conducted hereunder will be
 40 subject to the strict observance of all of the Host Operator's safety policies
 41 and procedures applicable to the Host including, but not limited to, any
 42 required safety training by Host Operator. Furthermore, such visit will be
 43 under the direction of and supervised by Host Operator personnel. Except
 44 with the express authorization of the Host Operator, neither the Satellite

Operator, nor the LSPS Operator nor their contractor or subcontractor employees or agents, have the right to observe any drilling, workover or other operations conducted by the Host Operator or any Third Parties on the Host.

(b) In the event of an emergency or critical event involving the Satellite System, the Satellite Operator or the LSPS Operator may contact the Host Operator and request immediate ingress and egress to certain space on the Host for purposes of conducting activities to respond to such emergency. If the Host Operator determines, in its sole discretion, that there will be no unreasonable conflict or interference with its own operations and that such ingress and egress is necessary to respond to such emergency or critical event, the Host Operator will provide such temporary rights of ingress and egress at the sole cost, risk, liability and expense of the Satellite Operator and/or the LSPS Operator.

15.4 Representations and Warranties

18 15.4.1 Each Party represents and warrants to the other Parties that on and as of
19 the Effective Date hereof:

20

21 (a) It is duly formed and validly existing and in good standing under the laws
22 of its state or jurisdiction of formation, with power and authority to carry
23 on the business in which it is engaged and to perform its respective
24 obligations under this Agreement;

25

26 (b) The execution and delivery of this Agreement has been duly authorized
27 and approved by all requisite corporate, limited liability company,
28 partnership or similar action;

29

30 (c) It has the entire requisite corporate, limited liability company, partnership
31 or similar power and authority to enter into this Agreement and perform its
32 obligations hereunder;

33

34 (d) The execution and delivery of this Agreement does not, and
35 consummation of the transactions contemplated herein will not, violate
36 any of the provisions of organizational documents, any agreement
37 pursuant to which it or its property is bound, to its knowledge, any
38 applicable Laws; and

39

40 (e) This Agreement is valid, binding and enforceable against it in accordance
41 with its terms, subject to bankruptcy, moratorium, insolvency and other
42 Laws generally affecting creditors' rights and general principles of equity
43 (whether applied in a proceeding in a court of law or equity).

1 **15.4.2 Owner represents and warrants to the Producers that:**

2

3 (a) As of the Effective Date, there is no Third Party Production being

4 handled on Owner's share of the Host.

5

6 (b) Owner has the power and authority to bind the Host Operator to

7 perform the duties and obligations described for the Host Operator

8 under this Agreement only to the extent Owner has authority to do

9 so pursuant to the Na Kika Obligations.

10

11 **15.5 Warranty of Title**

12 **15.5.1** Each Producer warrants title to its share of Satellite Production to be

13 handled by the Host Operator and indemnifies the Owner pursuant to

14 Section 11.2.1 (*Satellite Production*) of this Agreement.

15

16 **15.5.2** Owner warrants title to its share of the Host Production to be handled on

17 the Host and indemnifies the Producers pursuant to Section 11.2.2 (*Non-*

18 *Satellite Production*) of this Agreement.

19

20 **15.6 Standard of Performance**

21 The Host Operator, the Owner, each Satellite Operator and the LSPS Operator

22 will conduct all operations in a proper and workmanlike manner in accordance

23 with methods and practices customarily used in sound oil and gas field practice

24 and with that degree of diligence reasonable and ordinarily exercised by an

25 experienced prudent operator engaged in a similar activity under the same or

26 similar circumstances.

27

28 **15.7 Producers' Employees, Consultants, and Contractors**

29 The Producers will endeavor to keep the Host and all Satellite Production and

30 Non-Satellite Production free from all liens and encumbrances which might arise

31 by reason of the operations conducted under this Agreement or any other

32 agreements affecting the Satellite Leases.

33

34 **15.8 Host Operator's Employees, Consultants, and Contractors**

35 The Owner will endeavor to keep the Host, and all Satellite Production and Non-

36 Satellite Production free from all liens and encumbrances which might arise by

37 reason of the operations conducted under this Agreement affecting the Host

38 Leases.

39

1 15.9 Further Assurances

11 15.10 Non-Compliance Citations

12 The respective Satellite Operator will be responsible for any non-compliance
13 citations issued by governmental agencies with respect to the Satellite Well
14 System or the Satellite Leases, and such citations will be promptly reported to the
15 Host Operator. The LSPS Operator will be responsible for any non-compliance
16 citations issued by governmental agencies with respect to the LSPS, and such
17 citations will be promptly reported to the Host Operator. The Owner will be
18 responsible for any non-compliance citations issued by governmental agencies
19 with respect to the Host Leases or the Host and such citations will be promptly
20 reported to the Satellite Operator and the LSPS Operator.

22 15.11 Dispute Resolution

23 Any claim, controversy or dispute arising out of, relating to or in connection with
24 the interpretation of this Agreement or any activity or operation conducted or to
25 be conducted hereunder, shall be resolved in accordance with the mediation and
26 binding arbitration procedures set forth in Exhibit "I" (*Dispute Resolution
27 Procedures*) to this Agreement. However, claims for Indemnification between or
28 among the Parties shall be excluded from this provision when they arise out of or
29 are related to a lawsuit filed by a Third Party. For economy of legal resources, the
30 Parties' claims for Indemnification shall be resolved in conjunction with such
31 judicial proceeding.

33 15.12 Waivers

34 Neither action taken (including, without limitation, any investigation by or on
35 behalf of a Party) nor inaction pursuant to this Agreement will be deemed to
36 constitute a waiver of compliance with any representation, warranty, covenant or
37 agreement contained herein by the Party not committing such action or inaction.
38 A waiver by any Party of a particular right, including, without limitation, breach
39 of any provision of this Agreement, will not operate or be construed as a
40 subsequent waiver of that same right or a waiver of any other right.

1 **15.13 Remedies**

2 The rights, obligations, and remedies created by this Agreement are cumulative
3 and in addition to any other rights, obligations, or remedies otherwise available at
4 Law or in equity. Nothing herein will be considered an election of remedies.

5 **15.14 No Third Party Beneficiaries**

6 Except to the extent a Third Party is expressly given rights herein, any agreement
7 herein contained, expressed or implied, will be only for the benefit of the Parties
8 and their respective legal representatives, successors, and assigns, and such
9 agreements or assumptions will not inure to the benefit of any other Person
10 whomsoever, it being the intention of the Parties that no Person will be deemed a
11 Third Party beneficiary to this Agreement except to the extent a Third Party is
12 expressly given rights herein.

13 **15.15 Confidentiality Provisions**

14 **15.15.1** The Parties agree to keep in secrecy and confidence until the termination
15 of this Agreement the Confidential Information, save and except:

16 (a) to their respective Affiliates, subcontractors and consultants and
17 their respective employees, servants or agents actively engaged in
18 the operations hereunder to the extent that they need to know for
19 purposes related to this Agreement;

20 (b) if and to the extent it is required or requested to do so by any law
21 or by any court or regulatory agency or authority in any
22 jurisdiction, provided that the disclosing Party will, if permitted to
23 do so, notify the other Parties in writing as soon as possible upon
24 becoming aware of any such requirement so that the non-
25 disclosing Parties may seek a protective order or other remedy. A
26 disclosing Party shall furnish only such Confidential Information
27 as is legally required an/or compelled and will use its reasonable
28 efforts to obtain confidential treatment for any Confidential
29 Information disclosed; or

30 (c) to any bona fide financially responsible prospective assignee of all
31 or any portion of a Party's interest in the Host and/or Host Leases
32 or Satellite System and/or Satellite Leases (whichever the case
33 may be) provided that such prospective assignee has executed a
34 confidentiality agreement requiring it to maintain the secrecy and
35 confidentiality of the Confidential Information.

36
37
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1 **15.15.2** Notwithstanding the foregoing, the provision of confidentiality, use, and
2 disclosure above will not apply to information:

3

4 (a) which was in the public knowledge or literature at the time of
5 disclosure by any Party hereunder;

6

7 (b) which was already in the possession of any Party at the time of
8 disclosure hereunder without obligation of confidentiality;

9

10 (c) which was or is subsequently developed by any Party without use
11 of the Confidential Information;

12

13 (d) which subsequent to disclosure hereunder and without fault of the
14 disclosing Party becomes part of the public knowledge; or

15

16 (e) which is disclosed to any Party (without the obligation of
17 confidentiality) by a Third Party having, to the best knowledge of
18 the receiving Party, the legal right to do so.

19

20 **15.15.3** Any Party who assigns its interest in this Agreement remains bound by
21 the confidentiality obligations of this Agreement as to any Confidential
22 Information obtained throughout the term of this Agreement.

23

24 **15.15.4** All Confidential Information made available to the Parties hereunder
25 will be done so on an "as is" basis without any warranties, either express
26 or implied, as to the accuracy, validity, or utility of such information. In
27 no event will any Party be liable for any damages of whatever nature
28 arising out of, or resulting from, making the Confidential Information
29 available under this Agreement.

30

31 **15.16 Commitment of Oil and Gas Reserves**

32 Subject to Article X (*Term, Default, and Termination*) of this Agreement, for the
33 life of the Satellite Leases, the Producers commit to: (i) deliver all Satellite
34 Production to the Host for production handling, except that the Producers reserve
35 unto themselves, their successors and assigns, the right : (a) to use quantities of
36 Satellite Production sufficient to satisfy Satellite Leases' development and
37 operations including, but not limited to, additional recovery operations and the
38 use of gas for fuel, flaring, pigging, drilling, deepening, reworking, or other such
39 lease operations, (b) to use quantities of Satellite Production sufficient to satisfy
40 any royalty interest in Satellite Production that the royalty owner may elect to
41 take in kind, and (c) for the Producers of the MC 519 Unit Leases to elect to
42 process at a facility other than the Host any oil and/or gas production from such
43 leases produced from above the depth of fifteen thousand (15,000) feet total
44 vertical depth.

1

2 **15.17 Compliance with Laws and Regulations**

3 This Agreement and all of the terms and conditions contained herein, and the
 4 respective obligations of and the operations conducted by the Parties, are
 5 expressly subject to and will remain subject to and comply with all valid and
 6 applicable laws, orders, rules, and regulations of any federal, state, or local
 7 governmental authority having jurisdiction over the Host Leases and the Satellite
 8 Leases, as well as the Host and the LSPS. Each of the Parties hereto agree that
 9 they will at all times maintain their respective facilities and leases and conduct
 10 their operations thereon in accordance with all valid and applicable laws.

11

12 No Party will suffer a forfeiture or be liable in damages to the other Parties for
 13 any delays or damages or any failure to act, due, occasioned or caused by reason
 14 of laws respecting the activities or operations covered hereby and such delays or
 15 damages, will not be deemed to be a breach of or failure to perform under this
 16 Agreement.

17

18 **15.17.1 Applicable Law:** TO THE MAXIMUM EXTENT PERMISSIBLE,
 19 THE GENERAL MARITIME LAWS OF THE UNITED STATES
 20 SHALL GOVERN THE VALIDITY, CONSTRUCTION,
 21 INTERPRETATION, AND EFFECT OF THIS AGREEMENT,
 22 EXCLUDING ANY CHOICE OF LAW RULES WHICH WOULD
 23 OTHERWISE REQUIRE THE APPLICATION OF LAWS OF ANY
 24 OTHER JURISDICTION. IN THE EVENT MARITIME LAW IS
 25 HELD TO BE INAPPLICABLE BY A COURT OF COMPETENT
 26 JURISDICTION, THE LAWS OF THE ADJACENT STATE OF THE
 27 SATELLITE LEASES HEREUNDER SHALL APPLY UNLESS (i)
 28 OTHERWISE PROVIDED IN THIS AGREEMENT OR (ii)
 29 APPLICATION OF SUCH LAW TO A PARTICULAR PROVISION
 30 WOULD PREVENT ENFORCEMENT OF SUCH PROVISION, IN
 31 WHICH CASE THE LAW APPLICABLE TO SUCH PROVISION
 32 SHALL BE ANY POTENTIALLY APPLICABLE LAW THAT
 33 WOULD ALLOW ENFORCEMENT OF SAID PROVISION AS
 34 WRITTEN.

35

36 **15.17.2 Severance of Invalid Provisions:** The Parties intend that every
 37 provision of this Agreement, the Exhibits attached hereto, and the
 38 documents incorporated herein by reference be severable. If any term or
 39 other provision of this Agreement is found to be invalid, illegal or
 40 incapable of being enforced by any rule of law or public policy, all other
 41 conditions and provisions of this Agreement will remain in full force and
 42 effect. The illegality, invalidity or unenforceability of any provisions
 43 hereof will not affect the legality, validity or enforceability of the
 44 remainder of this Agreement. In the case of conflict between the

1 provisions of this Agreement and the provisions of any applicable laws
 2 or regulations, the provisions of the laws or regulations will govern over
 3 the provisions of this Agreement. If, for any reason and for so long as,
 4 any clause or provision of this Agreement is held by a court of
 5 competent jurisdiction to be illegal, invalid, unenforceable or
 6 unconscionable under any present or future law (or interpretation
 7 thereof), the remainder of this Agreement will not be affected by such
 8 illegality or invalidity. Any such invalid provision will be deemed
 9 severed from this Agreement as if this Agreement had been executed
 10 with the invalid provision eliminated. Any term or provisions of this
 11 Agreement that is invalid or unenforceable in any jurisdiction will be
 12 ineffective only as to such jurisdiction and then only to the extent of
 13 such invalidity or unenforceability, without rendering invalid or
 14 unenforceable the remaining terms and provisions of this Agreement or
 15 affecting the validity or enforceability of any terms and provisions of
 16 this Agreement in any other jurisdiction. If any provision of this
 17 Agreement is so broad as to be unenforceable, each provision will be
 18 interpreted to be only so broad as is enforceable. A bankruptcy or
 19 similar trustee must accept or, to the extent permitted by Law, reject this
 20 Agreement in its entirety.

21 **15.17.3 Fair and Equal Employment:** Each of the Parties is an Equal
 22 Opportunity Employer. To the extent that this Agreement may be
 23 subject to Executive Order 11246, as amended, the equal opportunity
 24 provisions (41 CFR 60-1) are incorporated herein by reference. If the
 25 Non-Discrimination in the OCS provisions of 30 CFR 270 apply to this
 26 Agreement and the operations conducted under it, the provisions of 30
 27 CFR 270 are also incorporated by reference. To the extent required by
 28 applicable Laws and regulations, this Agreement also includes and is
 29 subject to the affirmative action clauses concerning disabled veterans
 30 and veterans of the Vietnam era (41 CFR 60-250) and the affirmative
 31 action clauses concerning employment of the handicapped (41 CFR 60-
 32 741), which clauses are incorporated herein by reference. In performing
 33 work under this Agreement, the Parties agree to comply with (and the
 34 Host Operator and the Satellite Operator, as applicable, will require each
 35 independent contractor to comply with) the governmental requirements
 36 set forth in Exhibit "J" (*Certification of Non-Segregation of Facilities*) to
 37 this Agreement, pertaining to non-segregated facilities. This Agreement
 38 and the Parties are also subject to any other applicable rules and
 39 regulation relating to non-discrimination that may be promulgated from
 40 time to time by any governmental body having jurisdiction over the
 41 subject matter of this Agreement. The Owner and the Producers do not
 42 condone in any way the use of illegal drugs or controlled substances.
 43 The Host Operator and the Satellite Operator, as applicable, will
 44 maintain in effect a drug free workplace policy.
 45

1

2 **15.18 Construction and Interpretation of this Agreement**3 The construction and interpretation of the terms of this Agreement will be
4 governed by the following conventions:
5

6

7 **15.18.1 Heading for Convenience:** All references in this Agreement to articles,
8 sections, subsections and Exhibits hereof will refer to the corresponding
9 article, section, subsection or Exhibit of this Agreement, unless specific
10 reference is made to such articles, sections, subsection or exhibit of
11 another document or instrument. All titles or headings to Articles,
12 subarticles or other divisions of this Agreement except Article II
(*Definitions and Exhibits*) or the Exhibits hereto are only for the
13 convenience of the Parties and will not be construed to have any effect
14 or meaning with respect to the other content of such Articles, subarticles
15 or other divisions, such other content being controlling as to the
16 agreement between the Parties.
17

18

19 Except as otherwise provided in this Agreement, each reference to an
20 article of this Agreement will include the entire referenced article
21 including its sections and subsections. Except as otherwise provided in
22 this Agreement, each reference to a section in this Agreement will
23 include all of the section including its subsections. Except as otherwise
24 provided in this Agreement, each reference to an Exhibit in this
25 Agreement will include all of the Exhibit including articles, sections and
26 subsections.
27

28

29 **15.18.2 Gender:** All personal pronouns used in this Agreement, whether used in
30 the masculine, feminine, or neuter gender, will include all other genders.
31

32

33 **15.18.3 Number:** Whenever the context requires, reference herein made to the
34 singular will be understood to include the plural, and the plural will
35 likewise be understood to include the singular.
36

37

38 **15.18.4 Independent Representation:** The Owner, the LSPS Owners and
39 each individual Producers declare that they have contributed to the
40 drafting of this Agreement or have had it reviewed by their counsel
41 before signing it. Each agrees that it has been purposefully drawn and
42 correctly reflects their understanding of the transaction that it
43 contemplates. Accordingly, this Agreement, though drawn by one Party,
44 will be considered for all purposes as prepared through the joint efforts
of the Parties, and will not be construed unfairly and unreasonably and
not more strictly against one Party or another Party as a result of the
preparation. Each Party has had the benefit of independent
representation with respect to the subject matter of this Agreement.
45

1

2 **15.19 Integrated and Entire Agreement**

3 This Agreement, and the Exhibits attached thereto, constitute the entire and final
 4 agreement between the Parties pertaining to the subject matter hereof and as such
 5 supersedes all prior agreements, understandings, negotiations, and discussion,
 6 whether oral or written. There are no representations, warranties, promises, or
 7 other agreements, oral or written, between the Parties in connection with the
 8 subject matter hereof, other than those specifically set forth in this Agreement or
 9 in documents delivered pursuant to this Agreement.

10 Upon execution of this Agreement by all of the Parties, this Agreement will
 11 supersede and replace all previous negotiations, understandings, promises, or
 12 discussions, whether written or oral, relative to the subject matter of this
 13 Agreement. Each of the Parties acknowledges that no Party has made any
 14 promise, representation or warranty that is not expressly stated in this Agreement.

15

16 **15.20 Amendment and Modification**

17 Except as otherwise provided in this Agreement, all amendments, supplements,
 18 and modification to this Agreement will be in writing and executed by all of the
 19 Parties. This Agreement will not be modified or changed except by a written
 20 amendment signed by all of the Parties.

21

22 **15.21 Survivability**

23 The provisions, including any obligations associated therewith, relating to the
 24 payment of invoices, audit, abandonment, indemnity, regulatory compliance,
 25 representation, warranty, and confidentiality, will survive the cancellation or
 26 termination of this Agreement without regard to any action taken pursuant to this
 27 Agreement, including without limitation, the execution of any documents
 28 affecting an interest in real property or any investigation made by the Party
 29 asserting the breach thereof. Notwithstanding the foregoing, the indemnification
 30 provisions contained in Article XI (*Liabilities and Indemnification*) to this
 31 Agreement will survive until the later of (i) judicial declaration of the expiration
 32 of the applicable statute of limitations or (ii) all claims arising hereunder have
 33 been concluded. Accordingly, cancellation or termination of this Agreement will
 34 not relieve any Party from and costs, expenses, or liability accrued or incurred
 35 prior to the cancellation or termination of this Agreement, and the provisions of
 36 this Agreement will continue in force for such additional time as necessary until
 37 all claims or lawsuits have been settled or otherwise disposed of and a final
 38 accounting and settlement has been made under this Agreement.

39

40

1 **15.22 Existing Agreements**

2 Unless specifically excepted or reserved, and to the extent that they are binding on
3 the Owner, the Producers, the LSPS Owners and the Owner agree that this
4 Agreement will be made subject to (and Producers and the LSPS Owner accepts
5 that this Agreement is subject to) any and all valid and existing reservations,
6 exceptions, limitations, contracts, agreements, licenses, leases, grants and all other
7 agreements or instruments affecting the Host (i) which are of record with the
8 BOEMRE or official county/parish records, (ii) of which Producers have actual or
9 constructive notice or knowledge, including, without limitation, any matter
10 included or referenced in materials made available to Producers by the Owners for
11 their review prior to the execution of this Agreement, or (iii) which are part of the
12 Na Kika Obligations.

13

14

15

ARTICLE XVI - EXECUTION

16

17 **16.1 Effect**

18 Upon its execution by all of the Parties, this Agreement will become effective as
19 of the Effective Date and will be binding upon and inure to the benefit of the
20 Parties and their respective legal representatives, successors, and assigns.

21

22 **16.2 Counterparts**

23

24

25

26

27

28

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30

This Agreement may be executed by signing the original or a counterpart thereof.
If this Agreement is executed in multiple counterparts, each counterpart will be
deemed an original and all counterparts when taken together will constitute but
one and the same Agreement with the same effect as if all of the Parties had
signed the same instrument. This Agreement may also be ratified by separate
instrument referring to this Agreement and adopting by reference all the
provisions of this Agreement. A ratification will have the same effect as an
execution of the original Agreement.

31

32

33

34

[Remainder of this page intentionally left blank]

1 **IN WITNESS WHEREOF**, this Agreement is executed by each Party through its
2 duly authorized agent or representative on the date shown below the respective signature
3 of each, but is effective as of the Effective Date.

4
5 **OWNER**

6
7 BP EXPLORATION & PRODUCTION, INC. (Owner) *JP*
8
9 By: Pete Grant
10 Name: PETER A ZWART
11 Title: CFO
12 Date: 21 SEP 010

13
14 **ISABELA PRODUCERS**

15
16 BP EXPLORATION & PRODUCTION, INC. (Isabela Producer and Operator) *JP*
17
18 By: Pete Grant
19 Name: PETER A ZWART
20 Title: CFO
21 Date: 21 SEP 010

22
23 **NOBLE ENERGY, INC. (Isabela Producer)**

24 By: John T. Lewis *of Wt. Corp. Corp.*
25 Name: John T. Lewis
26 Title: Vice President
27 Date: 9/21/10

1 MC 519 UNIT PRODUCERS

2

3 NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

4

5 By: John T. Lewis

6

7 Name: John T. Lewis

8

9 Title: Vice President

10

11 Date: 9/21/10

12

13

14

John T. Lewis
John T. Lewis
John T. Lewis
John T. Lewis
John T. Lewis

15 BP EXPLORATION & PRODUCTION, INC. (MC 519 Unit Producer)

16

17 By: Peter A. Zwart

18

19 Name: PETER A ZWART

20

21 Title: CFO

22

23 Date: 21 SEP 010

24

25

Peter A. Zwart
Peter A. Zwart

26 RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

27

28 By: _____

29

30 Name: _____

31

32 Title: _____

33

34 Date: _____

35

36

PW

37 HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

38

39 By: _____

40

41 Name: _____

42

43 Title: _____

44

45 Date: _____

46

PW

1 **LSPS OWNERS**

2 **BP EXPLORATION & PRODUCTION, INC. (LSPS Owner and Operator)** *Q6W*

3 By: Peter A. Ghar *JDF*
4 Name: PETER A. GUAR
5 Title: CFO
6 Date: 21 SEP 010

7 **NOBLE ENERGY, INC. (LSPS Owner)**

8 By: John T. Lewis *Q6W*
9 Name: John T. Lewis *P.T.L.*
10 Title: Vice President *Q6W*
11 Date: 9/21/10 *Q6W*

12 **RED WILLOW OFFSHORE, LLC (LSPS Owner)**

13 By: _____
14 Name: _____
15 Title: _____
16 Date: _____

17 **HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)**

18 By: _____
19 Name: _____
20 Title: _____
21 Date: _____

1 MC 519 UNIT PRODUCERS
2
3

4 NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)
5

6 By: _____
7
8 Name: _____
9
10 Title: _____
11
12 Date: _____
13
14

15 BP EXPLORATION & PRODUCTION, INC. (MC 519 Unit Producer)
16

17 By: _____
18
19 Name: _____
20
21 Title: _____
22
23 Date: _____
24
25

26 RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)
27

28 By: Robert J. Voorhees 98
29
30 Name: Robert J. Voorhees RHR
31
32 Title: President and COO
33
34 Date: September 21, 2010
35
36

37 HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)
38

39 By: _____
40
41 Name: _____
42
43 Title: _____
44
45 Date: _____

1 **LSPS OWNERS**

2 **BP EXPLORATION & PRODUCTION, INC. (LSPS Owner and Operator)**

3 By: _____

4 Name: _____

5 Title: _____

6 Date: _____

7 **NOBLE ENERGY, INC. (LSPS Owner)**

8 By: _____

9 Name: _____

10 Title: _____

11 Date: _____

12 **RED WILLOW OFFSHORE, LLC (LSPS Owner)**

13 By: 
14 Name: Robert J. Voorhees

15 Title: President and COO

16 Date: September 21, 2010

17 **HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)**

18 By: _____

19 Name: _____

20 Title: _____

21 Date: _____

1 MC 519 UNIT PRODUCERS
2
3

4 **NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)**
5

6 By: _____
7

8 Name: _____
9

10 Title: _____
11

12 Date: _____
13

14 **BP EXPLORATION & PRODUCTION, INC. (MC 519 Unit Producer)**
15

16 By: _____
17

18 Name: _____
19

20 Title: _____
21

22 Date: _____
23

24 **RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)**
25

26 By: _____
27

28 Name: _____
29

30 Title: _____
31

32 Date: _____
33

34

35

36

37 **HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)**
38

39 By: P. David Amend

40 Name: P. David Amend

41 Title: Vice President LAND

42 Date: September 21, 2010 AM

1 **LSPS OWNERS**

2 **BP EXPLORATION & PRODUCTION, INC. (LSPS Owner and Operator)**

3 5 By: _____

4 6 Name: _____

5 7 Title: _____

6 8 Date: _____

9 9

10 10

11 11

12 12

13 13

14 **NOBLE ENERGY, INC. (LSPS Owner)**

15 14

16 15 By: _____

17 16 Name: _____

18 17 Title: _____

19 18 Date: _____

20 19

21 20

22 21

23 22

24 23

25 24

26 **RED WILLOW OFFSHORE, LLC (LSPS Owner)**

27 25

28 26 By: _____

29 27 Name: _____

30 28 Title: _____

31 29 Date: _____

32 30

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EXHIBIT "C"

Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

Accounting Procedures

I. GENERAL PROVISIONS

1. Definitions

13 All terms used in this Accounting Procedure, if not otherwise defined below, shall
14 have the same meaning as in the Agreement to which this Accounting Procedure is
15 attached.
16

"Affiliate" as defined in the Agreement and includes Affiliates as specified herein. Affiliates of the Operator and Non-Operator shall include, but not be limited to, those entities or groups listed on Appendix A to this Exhibit C or their successors.

"Controllable Material" means Material which at the time of acquisition or disposition is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

23 **"First Level Supervision"** means those employees whose primary function in Joint
24 Operations is the direct oversight of the Operator's employees and/or contract labor directly
25 employed On-site in a field operating capacity. First Level Supervision functions may
26 include, but are not limited to:

- Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance, construction, well remedial work, equipment movement and drilling
- Responsibility for day-to-day direct oversight of rig operations
- Responsibility for day-to-day direct oversight of construction operations
- Coordination of job priorities and approval of work procedures
- Responsibility for optimal resource utilization (equipment, Materials, personnel)
- Responsibility for meeting production and field operating expense targets
- Representation of the Parties in local matters involving community, vendors, regulatory agents and landowners, as an incidental part of the supervisor's operating responsibilities
- Responsibility for all emergency responses with field staff
- Responsibility for implementing safety and environmental practices

1 • Responsibility for field adherence to company policy
2 • Responsibility for employment decisions and performance appraisals for
3 field personnel
4 • Oversight of sub-groups for field functions such as electrical, safety,
5 environmental, telecommunications, which may have group or team leaders.

6
7 **"Joint Account"** means the account showing the charges paid and credits
8 received in the conduct of the Joint Operations and which are to be shared by the Parties.

9
10 **"Joint Operations"** means all operations necessary or proper for the
11 development, operation, protection, maintenance, repair, abandonment and restoration of
12 the Joint Property.

13
14 **"Joint Property"** means the real and personal property subject to the Agreement to
15 which this Accounting Procedure is attached.

16
17 **"Material"** means personal property, equipment, supplies, or consumables acquired
18 or held for use by the Joint Property.

19
20 **"Non-Operators"** means one (1) or more of the following (exclusive of the Host
21 Operator): (i) Satellite Operator(s), on behalf of the Producers, (ii) the LSPS Operator, on
22 behalf of the LSPS Owners, and/or (iii) the Producers, as applicable and as stipulated in
23 the Agreement..

24
25 **"Offshore Facilities"** means platforms and support systems such as oil and gas
26 handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and
27 systems, fuel and water storage and piping, heliport, marine docking installations,
28 communication facilities, navigation aids, and other similar facilities necessary in the
29 conduct of offshore operations.

30
31 **"Off-site"** means any location that is not considered On-site as defined in this
32 Accounting Procedure.

33
34 **"On-site"** means on the Joint Property when in direct conduct of Joint Operations.
35 The term "On-site" shall also include, but not be limited to a platform, the Production
36 System, that portion of Offshore Facilities, Shore Base Facilities, fabrication yards,
37 Material storage facilities, staging areas from which Joint Operations are conducted, and
38 other facilities, such as Remote Technology Centers, regardless of its location and whether
39 the facility or equipment is owned by the Joint Account.

40
41 **"Personal Expenses"** means travel, transportation, meals, accommodations,
42 temporary living expenses, relocation costs, and other reimbursable expenses of Host
43 Operator's employees, employees of Affiliates, or of third parties performing chargeable
44 functions.

1 **"Remote Technology Center (RTC)"** means a facility, regardless of whether
 2 located On-site or Off-site, having dedicated technical and /or operations staffing, that
 3 directly monitors and/or controls Joint Operations on a real-time basis.

4
 5 **"Shore Base Facilities"** means onshore support facilities that during
 6 development, maintenance and producing operations provide such services to the Joint
 7 Property as receiving and transshipment point for supplies, materials and equipment;
 8 debarkation point for production personnel and services; communication, scheduling and
 9 dispatching center; other associated functions benefiting the Joint Property.

10
 11 **"Technical Employees"** means those employees having special and specific
 12 engineering, geological or other professional skills, and whose primary function in Joint
 13 Operations is the handling of specific operating conditions and problems for the benefit
 14 of the Joint Property. Technical Employees include employees of the Parties, Affiliates
 15 and third parties providing services in support of Joint Operations.

16
 17 **2. Statements and Billings**

18
 19 A. The Host Operator and Owner shall bill the appropriate Non-Operators on
 20 or before the last day of the month for their proportionate share of the
 21 Joint Account for the preceding month. Such bills shall be accompanied
 22 by statements which identify the authority for expenditure, lease or
 23 facility, and all charges and credits summarized by appropriate categories
 24 of investment and expense. Controllable Material may be summarized by
 25 major Material classification. Audit exceptions shall be separately and
 26 clearly identified.

27
 28 **3. Advances and Payments by Non-Operators**

29
 30 A. If gross expenditures for the Joint Account (except for expenditures for
 31 Facility Access Modifications) are expected to exceed \$500,000.00 in the
 32 next succeeding month's operations, the Operator may require the Non-
 33 Operators to advance their share of the estimated cash outlay for the
 34 month's operations. Non-Operators are required to advance their
 35 proportionate share of the estimated costs of any Facility Access
 36 Modifications per Article 3.3.2 of the Agreement.

37
 38 Unless otherwise provided in the Agreement, any billing for such advance
 39 shall be payable within fifteen (15) days after receipt of the advance
 40 request or by the first day of the month for which the advance is required,
 41 whichever is later. The Host Operator shall adjust each monthly billing to
 42 reflect advances received from the Non-Operators for such month.

43
 44 B. Each Non-Operator shall pay its proportionate share of all bills within
 45 fifteen (15) days of receipt date. If the payment due date for such bill falls

1 on a weekend or on a statutory holiday, the payment will be due on the
 2 preceding business day. If payment is not made within such time, the
 3 unpaid balance shall bear interest compounded monthly at the prime rate
 4 published by the Wall Street Journal on the first day of each month the
 5 payment is delinquent, plus three percent (3%), per annum, or the
 6 maximum contract rate permitted by the applicable usury Laws governing
 7 the Joint Property, whichever is the lesser. In addition, the delinquent
 8 party shall bear attorney's fees, court costs, and other costs in connection
 9 with the collection of unpaid amounts. If the Wall Street Journal ceases to
 10 be published or discontinues publishing a prime rate, the unpaid balance
 11 shall bear interest compounded monthly at the prime rate published by the
 12 Federal Reserve plus three percent (3%), per annum. Interest shall begin
 13 accruing on the first day of the month in which the payment was due.
 14 Payment shall not be reduced or delayed as a result of inquiries or
 15 anticipated credits unless the Operator has agreed.

16

17 4. **Adjustments**

18

19 A. Payment of any such bills shall not prejudice the right of any Party to
 20 protest or question the correctness thereof, provided, however, all bills and
 21 statements (including payout status statements) related to expenditures
 22 rendered during any calendar year shall conclusively be presumed to be
 23 true and correct after twenty-four (24) months following the end of any
 24 such calendar year, unless within the said period a Party takes specific
 25 detailed written exception thereto and makes claim for adjustment.

26

27 B. All adjustments initiated by the Parties except those described in (1)
 28 through (5) below are limited to the twenty-four (24) month period
 29 following the end of the calendar year in which the original charge
 30 appeared or should have appeared on the Joint Account statement or
 31 payout status statement. Adjustments made beyond the twenty-four month
 32 period are limited to the following

33

34 (1) a physical inventory of Controllable Material as provided for in
 35 Section V.

36 (2) an offsetting entry (whether in whole or in part) which is the direct
 37 result of a specific joint interest audit exception granted by the
 38 Party relating to another property.

39 (3) a government/regulatory audit.

40 (4) changes in working interest ownership

41 (5) volume or value reallocation pursuant to the terms or procedures of
 42 the Agreement which may impact the volume or value used to
 43 calculate billings and/or payments for the Joint Account.

44

1 **5. Expenditure Audits**

2

3 A. A Non-Operator, upon notice in writing to Host Operator, Owner, and
 4 other Non-Operators, shall have the right to audit the Owner's and/or the
 5 Host Operator's accounts and records relating to the Joint Account for any
 6 calendar year within the twenty-four (24) month period following the end
 7 of such calendar year, provided, however, conducting an audit shall not
 8 extend the time for the taking of written exception to and the adjustment
 9 of accounts as provided for in Paragraph 4 of this Section I. Where there
 10 are two or more Non-Operators, the Non-Operators shall make every
 11 reasonable effort to conduct a joint audit in a manner which will result in a
 12 minimum of inconvenience to the Owner and/or Host Operator. The
 13 Owner and Host Operator shall bear no portion of the Non-Operator's
 14 audit costs incurred under this paragraph unless agreed to by the Owner
 15 and/or Host Operator. The audits shall not be conducted more than once
 16 each year without prior approval of the Owner and/or Host Operator,
 17 whichever is applicable, except upon the resignation or removal of the
 18 Host Operator, and shall be made at the expense of those Non-Operators
 19 approving such audit. The lead audit company's audit report shall be
 20 issued within one hundred and eighty (180) days after completion of the
 21 audit field work provided, however, the one hundred and eighty (180) day
 22 time period shall not extend the twenty-four (24) month requirement for
 23 taking specific detailed written exception as required by Paragraph 4.A.
 24 above. All claims shall be supported with sufficient documentation.
 25 Failure to issue the report within the prescribed time or to take specific
 26 written exception within the twenty-four (24) month period will preclude
 27 the Non-Operator from taking exception to any charge billed within the
 28 time period audited.

29

30 B. A timely filed audit report or any timely submitted response thereto shall
 31 suspend the running of any applicable statute of limitations regarding
 32 claims made in the audit report. While any audit claim is being resolved,
 33 the applicable statute of limitations will be suspended. Failure, however,
 34 to comply with the deadlines provided herein shall cause the statute to
 35 commence running again.

36

37 The Owner and/or Host Operator, whichever is applicable, shall allow or
 38 deny all exceptions in writing to an audit report within one hundred and
 39 eighty (180) days after receipt of such report. Denied exceptions should
 40 be accompanied by a substantive response.

41

42 C. The lead audit company shall reply to the Owner's and/or Host Operator's
 43 response to an audit report within ninety (90) days of receipt, and the
 44 Owner and/or Host Operator shall reply to the lead audit company's
 45 follow-up response within ninety (90) days of receipt.

1
2 D. The lead audit company or Owner and/or Host Operator may call an audit
3 resolution conference for the purpose of resolving audit issues/exceptions
4 that are outstanding at least eighteen (18) months after the date of the audit
5 report. The meeting will require one month's written notice to the Owner
6 and/or Host Operator and all audit participants, be held at the Owner's
7 and/or Host Operator's office or other mutually agreed upon location, and
8 require the attendance of representatives of the Owner and/or Host
9 Operator and each audit participant responsible for the area(s) in which the
10 exceptions are based and who have authority to resolve issues on behalf of
11 their company. The lead audit company will coordinate the
12 response/position of the Non-Operators and continue to maintain its
13 traditional role throughout the audit resolution process.

14
15 Attendees will make good faith efforts to resolve outstanding issues, and
16 each Party will be required to present substantive information supporting
17 its position. An audit resolution conference may be held as often as
18 agreed to by the Parties. Issues unresolved at one conference can be
19 discussed at subsequent conferences until each such issue is resolved.

20
21 E. Non-Operator charges shall be subject to the above audit requirements.
22
23 F. The preceding provisions shall not preclude the Parties from conducting
24 revenue audits.

25 6. **Approval by Parties**

26 Where an approval or other agreement of the Parties is expressly required under
27 other sections of this Accounting Procedure and if the Agreement to which this
28 Accounting Procedure is attached contains no contrary provisions in regard
29 thereto, Host Operator shall notify all Parties of the proposal, and the agreement
30 or approval of a majority in interest of the Parties shall be controlling.

31 35 **II. DIRECT CHARGES**

32 36 The Host Operator shall directly charge the Joint Account with the following
33 items in accordance with the Agreement:

34 37 1. **Rentals and Royalties**

35 38 41 Lease rentals, royalties, rights of use and easements paid by the Operator, on behalf
39 42 43 of Joint Operations.

1 2. **Labor**

2

3 A. Salaries and wages, including incentive compensation programs as set
4 forth in COPAS MFI-37 (Chargeability of Incentive Compensation
5 Programs), for:

6

7 (1) Operator's field employees directly employed in the conduct of
8 Joint Operations.

9

10 (2) Operator's employees directly employed on Shore Base Facilities,
11 Offshore Facilities, Remote Technology Centers, warehouses or
12 other facilities serving the Joint Property if such costs are not
13 included in rates charged under Section II.6 (Equipment and
14 Facilities Furnished by Operator).

15

16 (3) Operator's employees providing First Level Supervision.

17

18 (4) Salaries and wages of Technical Employees providing On-site and
19 Off-site technical services for Joint Operations.

20

21 B. Cost of holiday, vacation, sickness and disability benefits and other
22 customary allowances paid to employees whose salaries and wages are
23 chargeable to the Joint Account under Paragraph 2 of this Section II,
24 excluding severance payments or other termination allowances. Such
25 costs under this Paragraph 2.B. may be charged on a "when and as paid
26 basis" or by "percentage assessment" on the amount of salaries and wages
27 chargeable to the Joint Account under Paragraph 2. of this Section II. If
28 percentage assessment is used, the rate shall be based on the Host
29 Operator's cost experience.

30

31 C. Expenditures or contributions made pursuant to assessments imposed by
32 governmental authority that are applicable to costs chargeable to the Joint
33 Account under Section II.2.

34

35 D. Personal Expenses of personnel whose salaries and wages are chargeable
36 to the Joint Account under Paragraph 2 of this Section 2.

37

38 E. Relocation costs incurred in transferring to the Joint Property personnel
39 whose salaries and wages are chargeable to the Joint Account under
40 Section II.2. Relocation costs may only be charged for a domestic
41 employee transferred within the United States and assigned to the Joint
42 Property full-time for a minimum of twelve (12) months.

43

44 F. Training costs as specified in COPAS MFI-35 (Charging of Training
45 Costs to the Joint Account) for personnel whose salaries and wages are

chargeable under Section II.2. This training charge shall include the wages, salaries, training course cost, and Personal Expenses incurred during the training. The training cost shall be charged or allocated to the property or properties directly benefiting from the training. The cost of the training course shall not exceed prevailing commercial rates, where such rates are available.

- G. Current cost of established plans for employee benefits, as described in COPAS MFI-27 (Employee Benefits Chargeable to Joint Operations and Subject to Percentage Limitation), applicable to the Host Operator's or Owner's labor costs chargeable to the Joint Account under Sections II.2. based on the Host Operator's or Owner's actual cost not to exceed the employee benefits limitation percentage most recently recommended by COPAS.
- H. Award payments to employees, whose salaries and wages are chargeable under Section II.2 to the extent such awards pertain to services provided for activities or operations conducted under the Agreement.

3. Material

Material purchased or furnished by the Host Operator for Joint Operations as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

4. Transportation

Transportation of the Host Operator or Owner employees, Affiliates, or contractor personnel necessary for Joint Operations. Transportation of Material between the Joint Property and another property, or from the Host Operator/Owner's warehouse or other storage point to the Joint Property, shall be charged to the receiving property, and transportation of Material from the Joint Property to Host Operator / Owner's warehouse or other storage point shall be paid for by the Joint Property using the methods in Section IV.1 for freight associated with Direct Purchases and Section IV.2.B for freight associated with transfers.

5. Services

The cost of goods, services, equipment and utilities provided by third parties except for goods and services covered by Section III (Overhead), or Section II.7 (Affiliates), or Section II.9 (Legal Expense). Awards paid to contractors shall be chargeable to the extent such awards pertain to services provided for activities or operations conducted under this Agreement.

1
2 **6. Equipment and Facilities Furnished by Host Operator**
3

4 In the absence of a separately negotiated agreement, equipment and facilities
5 furnished by the Host Operator or Owner will be charged as follows and / or as
6 indicated in Appendix B to this Exhibit C:
7

8 A. Operator shall charge the Joint Account for use of Host Operator-owned
9 equipment and facilities, including but not limited to Shore Base Facilities,
10 Offshore Facilities, Remote Technology Centers, warehouses used to store
11 Joint Property, or other facilities at rates commensurate with the costs of
12 ownership and operation. Equipment and facilities owned by the Host
13 Operator, will be charged to the Joint Account at the Host Operator's actual
14 cost. Such costs may include all expenses which would be chargeable
15 pursuant to this Section II if such equipment were jointly owned,
16 depreciation using straight line depreciation method, interest on investment
17 (less gross accumulated depreciation) not to exceed twelve percent (12%)
18 per annum. In addition, for platforms, subsea production systems, and
19 production facilities the rate may include an element of the estimated cost of
20 abandonment, reclamation and dismantlement. Charges for depreciation
21 will no longer be allowable once the equipment has been fully depreciated.
22 Actual cost shall not exceed the average prevailing commercial rate.
23

24 B. In lieu of charges in Paragraph 6.A. above, equipment and facilities,
25 including Shore Base and Offshore Facilities, owned by the Host Operator
26 may be charged to the Joint Account at the average prevailing commercial
27 rate for such equipment or facility. If an average commercial rate is used
28 to bill the Joint Account, the Host Operator shall adequately document and
29 support such rate and periodically review and update the rate.
30

31 C. When applicable for Host Operator owned or leased motor vehicles, the
32 Host Operator shall use rates published by the Petroleum Motor Transport
33 Association or such other organization recognized by COPAS as the
34 official source of such rates. When such rates are not available, the Host
35 Operator shall comply with the provisions of Paragraph 6.A. or 6.B.
36 above.
37

38 **7. Affiliates**
39

40 Affiliate Materials, facilities, and services provided for the Joint Operations shall
41 be chargeable to the Joint Account as herein provided.
42

43 A. An Affiliate of the Host Operator providing services for Joint Operations
44 regardless of work location, shall be chargeable to the Joint Account at the

4 B. The Parties agree that Affiliate records relating to Materials, facilities or
5 services provided by an Affiliate are not subject to and will not be made
6 available for audit. However, if Affiliate charges are based on rates, the
7 audit of the Affiliate charges shall be limited to verification that the units
8 or basis to which the rates were applied are correct. Upon request by any
9 Party, the Host Operator or Owner shall furnish a certificate of its
10 independent accounting firm confirming that rates or amounts charged by
11 an Affiliate reflect actual cost and do not include any element of profit.

8. Damages and Losses To Joint Property

14 Costs or expenses necessary to repair, replace or abandon the Joint Property
15 resulting from damages or losses incurred, except to the extent such costs result
16 from a Party's gross negligence or willful misconduct.
17

9. Legal Expense

20
21 The Host Operator may not charge for services of the Host Operator's legal staff
22 or fees and expenses of outside attorneys unless approved by the Parties, except
23 that title examinations and curative work shall be chargeable, unless otherwise
24 provided for in the Agreement. Other types of legal expense, other than attorney
25 fees, such as recording fees and handling, settling, or otherwise discharging
26 litigation, claims, and liens necessary to protect or recover the Joint Property shall
27 be chargeable

10. Taxes and Permits

30
31 All taxes and permits of every kind and nature, assessed or levied upon or in
32 connection with the Joint Property, or the production therefrom, and which have
33 been paid by the Host Operator for the benefit of the Parties, including penalties
34 and interest, except to the extent the penalties and interest result from the
35 Operator's gross negligence or willful misconduct

If ad valorem taxes paid by the Host Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to Parties will be made in accordance with the tax value generated by each Party's working interest.

11. Insurance

43
44 Net premiums paid for insurance required to be carried for Joint Operations for the
45 protection of the Parties. If Joint Operations are conducted at locations where the

1 Host Operator acts as self-insurer in regard to its worker's compensation and
 2 employer's liability insurance obligation, the Host Operator shall charge the Joint
 3 Account manual rates for the risk assumed in its self-insurance program as
 4 regulated by the jurisdiction governing the Joint Property. In the case of offshore
 5 operations in federal waters, the manual rates of the adjacent state shall be used for
 6 personnel performing work On-site, and such rates shall be adjusted for offshore
 7 operations by the U.S. Longshoreman and Harbor Workers (USL&H) or Jones Act
 8 surcharge, as appropriate.
 9

10 **12. Communications**

11 Costs of acquiring, leasing, installing, operating, repairing, maintaining
 12 dismantling or abandoning communication facilities or systems including radio,
 13 microwave, satellite and fiber optics cable systems / facilities between the Joint
 14 Property and the Host Operator's offices. In the event communication facilities
 15 systems serving the Joint Property are Host Operator-owned, charges to the Joint
 16 Account shall be made as provided in Paragraph 6 of this Section II.
 17

18 **13. Computer Systems**

19 Costs of purchasing, leasing, installing, operating, repairing, maintaining,
 20 dismantling or abandoning computer systems including hardware, software,
 21 system support and personnel in direct support of Joint Operations. If the
 22 computer systems serving the Joint Property are Operator-owned, charges to the
 23 Joint Account shall be made as provided in Section II.6 (Equipment and Facilities
 24 Furnished by Operator
 25

26 **14. Ecological, Environmental and Safety**

27 A. Costs incurred for technical services, engineering and drafting to comply
 28 with ecological, environmental and safety Laws or standards
 29 recommended by Occupational Safety Hazards Act (OSHA) or other
 30 regulatory authorities.
 31

32 Ecological and Environmental costs incurred for the benefit of the Joint
 33 Property resulting from laws, rules, regulations, or orders for
 34 archaeological and geophysical surveys relative to identification and
 35 protection of cultural resources and/or other environmental or ecological
 36 surveys as may be required by the Minerals Management Service or other
 37 regulatory authority.
 38

39 Also, costs to provide or have available pollution containment and
 40 removal equipment plus actual costs of control and cleanup and resulting
 41 responsibilities of oil and other spills as well as discharges from permitted
 42 outfalls as required by applicable laws and regulations are chargeable.
 43

44
 45

1 Ecological and environmental costs incurred by the Host Operator as
2 deemed by the Host Operator to be appropriate for prudent operations are
3 also chargeable to the extent such costs directly benefit Joint Operations.
4

5 B. Safety costs incurred for the benefit of the Joint Property to conduct and/or
6 implement safe operational practices/guidelines as a result of laws, rules,
7 regulations, or orders or as recommended for voluntary compliance.
8 Examples are the requirements mandated by the Occupational Safety and
9 Hazards Act (OSHA), Safety and Environmental Management Program
10 (SEMP), Process Safety Management (PSM), and/or requirements which
11 may be mandated/recommended by similar programs or by other current
12 or successor regulatory agencies. Safety costs incurred by the Operator as
13 deemed by the Operator to be appropriate for prudent operations are also
14 chargeable to the extent such costs directly benefit Joint Operations.
15

16 C. Environmental, ecological, and safety training costs for personnel whose
17 time would otherwise be chargeable under Paragraph 14.A or B above,
18 regardless of whether training is mandated by statute or regulatory agency,
19 is chargeable to the Joint Account.
20

21 D. Safety and other team accomplishment awards for personnel chargeable to
22 the Joint Account shall be chargeable to the Joint Account.
23

24 In the event of a conflict between the provisions of this Section II, Paragraph 14
25 and Section III, Paragraphs i. and ii., Section II, Paragraph 14 shall prevail.
26

27 **15. Abandonment and Reclamation**

28 Costs incurred for abandonment and reclamation of the Joint Property, including
29 costs required by governmental, regulatory, or judicial authority.
30

31 **16. Other Expenditures**

32 Any other expenditure not covered or dealt with in the foregoing provisions of
33 this Section II, or in Section III and which is of direct benefit to the Joint Property
34 and is incurred by the Host Operator in the necessary and proper conduct of the
35 Joint Operations.
36

37 **III. OVERHEAD**

38
39 As compensation for administrative, supervision, office services and warehousing
40 costs, the Host Operator shall charge the Joint Account in accordance with this Section
41 III.
42

1 Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and
2 expenses of all offices and salaries or wages plus applicable burdens and expenses of all
3 personnel, except those directly chargeable under Section II. The cost and expense of
4 services from outside sources in connection with matters of taxation, traffic, accounting
5 or matters before or involving governmental agencies shall be considered as included in
6 the overhead rates provided for in this Section III unless directly chargeable under
7 Section II or such costs are agreed to by the Parties as a direct charge to the Joint
8 Account.

9
10 i. Except as otherwise provided in Paragraph 1 of this Section III, the
11 salaries, wages and Personal Expenses of Technical Employees and/or the
12 cost of professional consultant services and contract services of technical
13 personnel directly employed on the Joint Property:
14 () shall be covered by the overhead rates.
15 (X) shall not be covered by the overhead rates.

16
17 ii. Except as otherwise provided in Paragraph 1 of this Section III, the
18 salaries, wages and Personal Expenses of Technical Employees and/or
19 costs of professional consultant services and contract services of technical
20 personnel either temporarily or permanently assigned to and directly
21 employed in the operation of the Joint Property:
22 () shall be covered by the overhead rates.
23 (X) shall not be covered by the overhead rates.

24
25 1. **Overhead – Operating, Major Construction and Catastrophe**

26
27 As compensation for overhead in connection with Operating, Major Construction
28 and Catastrophe operations, the Host Operator shall charge on a:

29
30 (X) Percentage Basis as follows:

31
32 2. **Overhead - Operating**

33
34 An Operating Rate of thirteen percent (13%) of the cost of operating the Joint
35 Property. The cost of operating the Joint Property includes, but is not limited to,
36 the costs described in these sections of Article V.5.1.3 (b) ii of the Agreement:
37 (a) Satellite Leases Direct Expense, (b) LSPS Direct Expense, (c) Facility Access
38 Modifications Dedicated System, (d) Host Dedicated Facility and (e) Host
39 Common Facilities and 5.4.2 - Future Governmental Regulations and as described
40 in Article IV Section 4.7.2 - Emergency Response.

41
42 The Operating Rate shall be applied to all costs in connection with Joint
43 Operations, except those costs of Major Construction and Catastrophes.

1 The cost of Infrastructure Access and/or Handling Fees, Compensation for
2 Deferred Host Leases Oil Production and for Deferred Host Leases Gas
3 Production, Minimum Monthly Fees, all salvage credits, the value of injected
4 substances purchased for secondary recovery and all taxes and assessments which
5 are levied, assessed and paid upon the mineral interest in and to the Joint Property
6 shall be excluded from the calculation of overhead.

8 3. Overhead - Major Construction

To compensate the Host Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantling for abandonment of platforms and related production facilities, the Host Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead in accordance with the following for any Major Construction project. Major Construction projects include, but are not limited to, work described in these sections of Article III - Infrastructure and Facilities of the Agreement: 3.1 - Satellite Well System, 3.2 - Loop Subsea Production System, 3.3 - Facility Access Modifications, 4.4 - Use of Platform/Riser Space.

21 Since the Host Operator will charge engineering, design and drafting costs related
22 to the project directly to the Joint Account:

4 % of total costs

25 Total cost shall mean the gross cost of any one project. For the purpose of this
26 paragraph, the component parts of a single project shall not be treated separately.
27

28 In the event of any conflict between the provisions of this Section III and any of
29 the provisions under Section II, the provisions of Section II shall govern.
30

32 4. Overhead - Catastrophe

To compensate Host Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Host Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following:

1 Expenditures subject to the overheads above will not be reduced by insurance
2 recoveries, and no other overhead provisions of this Section III shall apply.
3

4 **5. Amendment of Rates**

5 The Overhead rates provided for in this Section III may be amended from time to
6 time only by mutual agreement between the Parties hereto, if in practice, the rates
7 are found to be insufficient or excessive.
8

9

10 **IV. MATERIAL PURCHASES, TRANSFERS AND DISPOSITION**

11

12 The Host Operator is responsible for Joint Account Material and shall make
13 proper and timely charges and credits for direct purchases, transfers, and dispositions.
14 The Host Operator normally provides all Material for use on the Joint Property but does
15 not warrant the Material furnished. At the Host Operator's option, Material may be
16 supplied by Non-Operators.
17

18 **1. Direct Purchases**

19 Direct purchases shall be charged to the Joint Account at the price paid by the
20 Host Operator after deduction of all discounts received. A direct purchase is
21 determined to occur when an agreement is made between the Host Operator and a
22 third party for the acquisition of Materials for a specific well site or location.
23 Material provided by the Host Operator under "vendor stocking programs," where
24 the initial use if for a Joint Property and title of the Material does not pass from
25 the vendor until usage, is considered a direct purchase. If Material is found to be
26 defective or is returned to the vendor for any other reason, credit shall be passed
27 to the Joint Account when adjustments have been received by the Host Operator
28 from the manufacturer, distributor, or agent.
29

30 **2. Transfers**

31 A transfer is determined to occur when the Host Operator furnishes Material
32 from its storage facility or from another operated property. Additionally, the Host
33 Operator has assumed liability for the storage costs and changes in value and has
34 previously secured and held title to the transferred Material. Similarly, the removal
35 of Material from a Joint Property to the Host Operator's facility or to another
36 operated property is also considered a transfer. Material that is moved from the
37 Joint Property to a temporary storage location pending disposition may remain
38 charged to the Joint Account and is not considered a transfer.
39

1 A. Pricing

2
3 The value of Material transferred to/from the Joint Property should
4 generally reflect the market value on the date of transfer. Transfers of new
5 Material will be priced using one of the following new Material bases:

6
7 (1) Published prices in effect on date of movement as adjusted by the
8 appropriate COPAS Historical Price Multiplier (HPM) or prices
9 provided by the COPAS Computerized Equipment Pricing System
10 (CEPS). The HPMs and the associated date of published price to
11 which they should be applied will be published by COPAS
12 periodically.

13
14 (a) For oil country tubulars and line pipe, the published price
15 shall be based upon eastern mill (Houston for special end)
16 carload base prices effective as of date of movement, plus
17 transportation cost as defined in Section IV, Paragraph 2.B.

18
19 (b) For other Material, the published price shall be the
20 published list price in effect at date of movement, as listed
21 by a supply store nearest the Joint Property (where material
22 is normally available) capable of supplying the material, or
23 point of manufacture, plus transportation costs as defined in
24 Section IV, Paragraph 2.B.

25
26 (2) A price quotation that reflects a current realistic acquisition cost
27 may be obtained from a supplier/manufacturer.

28
29 (3) Historical purchase price may be used, providing it reflects a
30 current realistic acquisition cost on date of movement. Sufficient
31 price documents should be available to Non-operators for purposes
32 of verifying Material transfer valuation.

33
34 (4) As agreed to by the Parties.

35
36 (5) When higher than specification grade or size tubulars from Host
37 Operator's inventory are used on the Joint Property, Host Operator
38 shall charge the Joint Account at the equivalent price for well
39 design specification tubulars.

40
41 B. Freight

42
43 Transportation costs should be added to the Material transfer price based
44 on one of the following:

C. Condition

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(1) Condition "A" - New and unused Material in sound and serviceable condition shall be charged at one hundred percent of the price as determined in Section IV, Paragraphs 2.A and B. Material transferred from the Joint Property that was not placed in service on the Joint Property shall be credited as charged without gain or loss. Any unused Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original cost paid less restocking charge. All refurbishing costs required or necessary to return the material to original condition, or to correct handling or transportation damages and other related costs will be born by the divesting property. The Joint Account is responsible for Material preparation, handling and transportation costs for new and unused Material charged to the property either through a direct purchase or transfer. Any preparation costs performed, including any internal or external coating and wrapping, will be credited on new Material provided these costs were not repeated for the receiving property.

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- (2) Condition "B" - Used Material in sound and serviceable condition and suitable for reuse without reconditioning shall be priced at the condition percentage most recently recommended by COPAS times the price determined by the pricing guidelines in Section IV, Paragraphs 2.A and B. All refurbishing costs required or necessary to return the material to Condition B, or to correct handling or transportation damages and other related costs will be born by the divesting property.
- (3) If the Material was originally charged to the joint Account as used Material and placed in service on the Joint Property, the Material will be credited at the condition percentage most recently recommended by COPAS times the price as determined in Section IV, Paragraphs 2.A and B.
- (4) Used Material transferred from the Joint Property that was not placed in service on the property shall be credited as charged without gain or loss.
- (5) Condition "C" - Material that is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at the condition percentage most recently recommended by COPAS times the price determined in Section IV, Paragraphs 2.A and B. The cost of reconditioning shall be charged to the receiving property provided Condition C value, plus cost of recondition, does not exceed Condition B value.
- (6) Condition "D" - Other Material that is no longer suitable for its original purpose but usable for some other purpose is considered Condition D Material. Included under Condition "D" are also obsolete items or Material that does not meet original specifications but still has value and can be used in other services as a substitute for items with different specifications. Due to the condition or value of other used and obsolete items, it is not possible to price these items under Section IV, Paragraph 2.A. The price used should result in the Joint Account being charged or credited with the value of the service rendered or use of the Material. In some instances, it may be necessary or desirable to have the Material specially priced as agreed to by the Parties.
- (7) Condition "E" - Junk shall be priced at prevailing scrap value prices.

1 D. Other Pricing Provisions

2 (1) Preparations Costs

3 Costs incurred by the Host Operator in making Material
4 serviceable including inspection, third party surveillance services,
5 and other similar services will be charged to the Joint Account at
6 prices reflective of the Host Operator's actual costs of the services.
7 Documentation must be retained to support the cost of service.
8 New coating and/or wrapping may be charged per Section IV,
9 Paragraph 2.A.

10 (2) Loading and Unloading Costs

11 Loading and unloading costs related to the movement of the
12 Material to the Joint Property shall be charged in accordance with
13 the methods specified in COPAS Bulletin 21.

14 3. Disposition of Surplus

15 Surplus Material is that Material, whether new or used, that is no longer required
16 for Joint Operations. The Host Operator may purchase, but shall be under no
17 obligation to purchase, the interest of Non-operator in surplus Material.

18 Dispositions for the purpose of this procedure are considered to be the
19 relinquishment of title of the Material from the Joint Property to either a third
20 party, a Non-Operator, or to the Host Operator. To avoid the accumulation of
21 surplus materials, the Host Operator should make good faith efforts to dispose of
22 surplus within 12 months through buy/sale agreements, trade, sale to a third party,
23 division in-kind, or other dispositions as agreed to by the Parties.

24 The Host Operator may, through a sale to an unrelated third party or entity,
25 dispose of surplus Material having a gross sale value that is less than or equal to
26 the Host Operator's expenditure limit as set forth in the Operating Agreement to
27 which this Accounting Procedure is attached without the prior approval of the
28 Non-Operator. If the gross sale value exceeds the Operating Agreement
29 expenditure limit, the disposal must be agreed to by the Parties.

30 The Host Operator may dispose of Condition D and E Material under procedures
31 normally utilized by the Host Operator without prior approval.

1 4. **Special Pricing Provisions**

2 A. **Premium Pricing**

3 Whenever Material is not readily replaceable due to national emergencies,
4 strikes, or other unusual causes over which the Host

5 Operator has no control, the Host Operator may charge the Joint Account
6 for the required Material at the Host Operator's actual cost incurred in
7 providing such Material, in making it suitable for use, and in moving it to
8 the Joint Property provided notice in writing is furnished to Non-Operators
9 of the proposed charge prior to use and to billing Non-Operators for such
10 Material. During premium pricing periods, each Non-Operator shall have
11 the right to furnish in-kind all or part of his share of such Material suitable
12 for use and acceptable to the Host Operator by so electing and notifying
13 the Host Operator within ten (10) days after receiving notice from the
14 Host Operator.

15 B. **Shop-Made Items**

16 Shop-made items may be priced using the value of the Material used to
17 construct the item plus labor costs. If the Material is from a scrap or junk
18 account, the Material may be priced at either twenty-five percent of the
19 current price as determined in Section IV, Paragraph 2A, or scrap value,
20 whichever is higher, plus costs to fabricate the item.

21 C. **Mill Rejects**

22 Mill rejects purchased as "limited service" casing or tubing shall be priced
23 at eighty percent of K-55/J-55 price as determined in Section IV,
24 Paragraphs 2.A and B. Line pipe converted to casing or tubing with
25 casing or tubing couplings attached shall be priced as K-55/J-55 casing or
26 tubing at the nearest size and weight.

27 **V. INVENTORIES OF CONTROLLABLE MATERIAL**

28 The Host Operator shall maintain records of Controllable Material charged to the
29 Joint Account, as defined in the COPAS Material Classification Manual, with sufficient
30 detail to perform the physical inventories requested unless directed otherwise by the Non-
31 Operators.

32 Adjustments to the Joint Account by the Host Operator resulting from a physical
33 inventory of jointly owned Controllable Material are limited to the six months following
34 the taking of the inventory. Charges and credits for overages or shortages will be valued
35 at the time of the physical inventory.

1 for the Joint Account based on condition B prices in effect on the date of physical
2 inventory and determined in accordance with Section IV, Paragraphs 2.A and B unless
3 the inventorying Parties can prove another Material condition applies.

4

5 **1. Directed Inventories**

6

7 With an interval of not less than five years, physical inventories shall be
8 performed by the Host Operator upon written request of a majority in working
9 interests of the Non-Operators.

10

11 Expenses of directed inventories will be borne by the Joint Account and may
12 include the following:

13

14 A. Audit per diem rate for each inventory person in line with the auditor rates
15 determined, adjusted, and published each April by COPAS. The per diem
16 should also be applied to a reasonable number of days for pre-inventory
17 work and for report preparation. The amount of time required for this
18 additional work may vary from inventory to inventory.

19

20 B. Actual travel including Host Operator-provided transportation and
21 personal expenses for the inventory team.

22

23 C. Reasonable charges for report typing and processing.

24

25 The Host Operator is expected to exercise judgment in keeping expenses within
26 reasonable limits. Unless otherwise agreed, costs in connection with any post-
27 report follow-up work in settling the inventory will be absorbed by the Non-
28 Operator incurring such costs. Any anticipated disproportionate costs should be
29 discussed and agreed upon prior to commencement of the inventory.

30

31 When directed inventories are performed, all Parties shall be governed by such
32 inventory.

33

34 **2. Non-Directed Inventories**

35

36 A. Host Operator Inventories

37

38 Periodic physical inventories that are not requested by the Non-Operator
39 may be performed by the Host Operator at the Host Operator's discretion.
40 The expenses of conducting such Host Operator inventories shall not be
41 charged to the Joint Account.

1 B. Non-Operator Inventories
2

3 Any Non-Operator(s) may conduct an inventory at reasonable times, at
4 their sole cost and risk with prior notification to the Host Operator of at
5 least thirty (30) days.
6

7 C. Other Inventories
8

9 Other inventories may be taken whenever there is any sale or change of
10 interest. When possible, the selling Party should notify all other owners
11 30 days prior to the anticipated closing date. When there is a change in
12 Host Operator of the Joint Property, an inventory by the former and new
13 Host Operator should be taken.
14

15 The expenses of conducting such other inventories shall be charged to the
16 Joint Account.
17

18 [Remainder of this page intentionally left blank]
19

1 APPENDIX B
2

3 Attached to and Made a Part of Exhibit C – Accounting Procedure
4

5 EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR
6

7

8 A. Host Operator may charge the Joint Account an allocated portion of the cost of the
9 Preservation and Maintenance Facility (PMF) or successor. The PMF will be used to
10 secure, preserve and maintain Gulf of Mexico materials for drilling and completions,
11 wells, operations and subsea projects. The PMF costs will be charged pursuant to the
12 provisions of Section II, Paragraph 6 of this Accounting Procedure.

13

14 B. Host Operator may charge the Joint Account an allocated portion of the cost of the
15 Houma Learning Center (HLC) or successor. The HLC is used to provide training to the
16 Host Operator's personnel. The HLC costs will be charged pursuant to the provisions of
17 Section II, Paragraph 6 of this Accounting Procedure.

18

19 C. Host Operator may charge the Joint Account an allocated portion of the cost of the
20 Advanced Collaborative Environments Facility (ACE) or successor. This Remote
21 Technology Center is located offsite of the Joint Property with technology for
22 communicating with field operations and optimizing well performance and reducing field
23 operating expenses on a real time/on-line basis. The ACE costs to be charged shall
24 include all costs (regardless of location) incurred by the Host Operator to operate the
25 ACE and will be charged pursuant to the provisions of Section II.6 of this Accounting
26 Procedure. Such charges shall include, but are not limited, to the following: facilities,
27 communications, computers, software, system support, and ACE personnel provided by
28 the Operator, contract services or Affiliates.

29

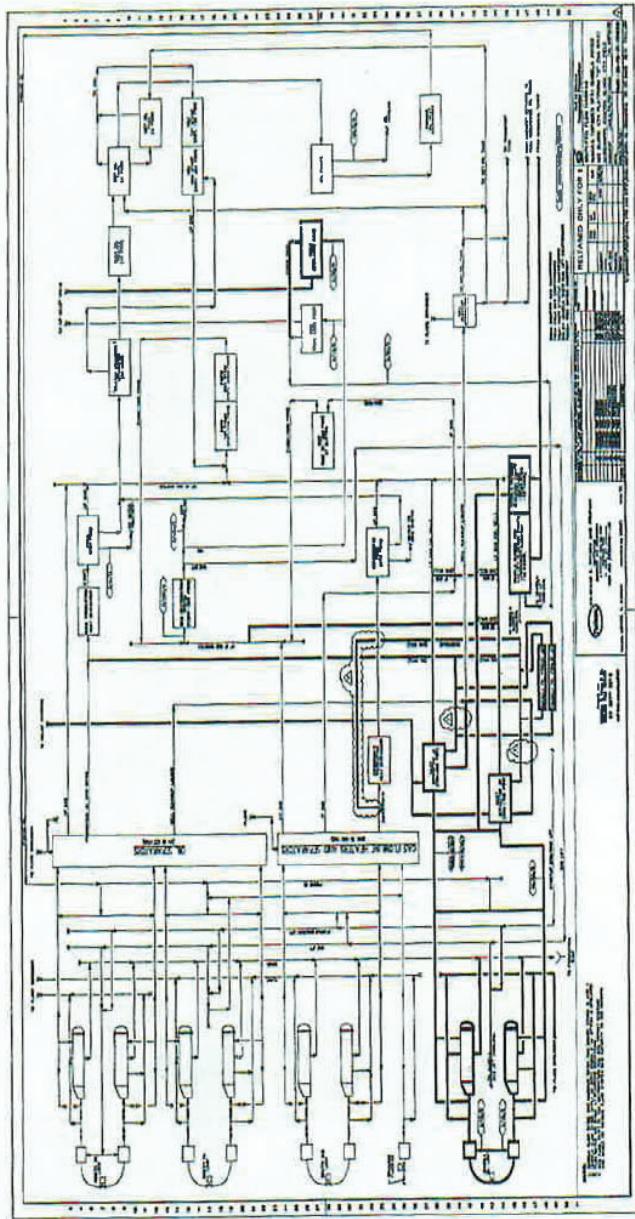
30 [Remainder of this page intentionally left blank]

Execution Version

EXHIBIT "D"

1
2 Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective
3
4 September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS
5
6
7

HOST FACILITIES SCHEMATIC



Execution Version

EXHIBIT "E"

Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

HOST SERVICES

9 The Owner shall provide the LSPS Owners and Producers with certain Services
10 under the terms of this Agreement. Said Services shall (i) be implemented in a manner
11 consistent with the general direction provided by the Host Operator, and (ii) follow
12 procedures mutually agreed upon by the LSPS Operator, Satellite Operators, and Host
13 Operator which shall be furnished in written form if requested by the Host Operator. The
14 cost of said Services shall be handled in accordance with Article V of this Agreement.
15 Said Services shall include the following:

17 1. Production handling services between the Entry Point and the Delivery Point shall
18 include:

19

20 (a) Operation, inspection, maintenance, and repair of the Host, including utilities
21 necessary for the safe, reliable operation of the Host

22 (b) LSPS Production receiving

23 (c) Oil inlet heat exchanger

24 (d) Separation

25 (e) Gas dehydration

26 (f) Flash gas compression

27 (g) Boost gas compression

28 (h) Vapor recovery compression

29 (i) Oil treating

30 (j) Hot oiling and/or pigging

31 (k) Condensate re-injection

32 (l) Metering, allocation and shipping

33 (m) Solids and produced water treating and disposal

34 (n) Utilities (electrical power, instrument air, access to fuel gas system) on the
35 Host from Owner's existing sources

36 (o) Pressure relief via the Host flare system

37 (p) Bulks (e.g., supplies, materials, chemicals, parts, equipment) handling on the
38 Host

39 (q) Bulks (e.g., supplies, materials, chemicals, parts, equipment) transportation
40 and personnel transportation from shore to the Host on a space available basis

41 (r) Storage space on the Host for consumables and spare parts on a space
42 available basis

43

44 2. Operation of the Satellite Well Systems and LSPS as can be performed from the
45 Host, including, but not limited to:

1 (a) Operation of well controls, valves, chokes and safety devices
2 (b) Operation of all platform controls and equipment
3 (c) Operation of all safety shutdown devices related to the Satellite Well System
4 and LSPS in accordance with regulations of the BOEMRE
5 (d) Reporting to the Satellite Operators, as soon as practicable, any significant
6 well, equipment, production, safety, regulatory or logistical problem
7 associated with the Satellite Well System(s)
8 (e) Reporting to the Satellite Operators with daily reports of Satellite Production
9 and maintaining records of all information and reports transmitted, and
10 (f) Providing all materials, supplies, labor and supervision required in
11 connection with such activities
12
13 3. Normal and routine maintenance of the Satellite Well Systems and LSPS
14 equipment installed on the Host, including, but not limited to,
15
16 (a) Providing consumables such as chokes, orifice plates, glycol and methanol
17 (b) Ordering receiving and verifying receipt of parts, tools, supplies and services
18 (c) Scheduling, performing and reporting of all required tests on safety systems,
19 and
20 (d) Providing all materials, supplies, labor and supervision required in
21 connection with such activities
22
23 4. Integrity testing of the subsea Christmas trees and system valves, including, but
24 not limited to, downhole safety valves.
25
26 5. Well testing, pressure build-up tests, blowdown operations, monitoring of well
27 parameters (including annulus pressure, downhole pressure and temperature,
28 wellhead pressure, metering data and temperature), and adjustment of normal well
29 parameters.
30
31 6. Monitoring of Satellite Well Systems and LSPS parameters, including manifold
32 pressure and temperature, platform arrival pressure and temperature, and other
33 normal parameters.
34
35 7. Operations as can be performed from the Host that are needed to assist in the
36 diagnosis of subsea and operational problems (e.g., monitoring of pressures,
37 temperatures, and flowrates).
38
39 8. Bulk handling, including the transportation (between shore and the Host) of
40 supplies, chemical (chemical as used throughout this Agreement includes
41 methanol) and equipment required for the support of the Satellite Well System
42 and LSPS.
43
44

- 1 9. Storage of chemicals, other consumables, and spare parts on the Host for the
2 Satelite Well System and LSPS on a space-available basis.
3
- 4 10. Initial response with the Satellite Operator(s) and LSPS Operator's personnel to
5 equipment breakdowns associated with Satellite Well System and LSPS
6 components located on the Host.
7
- 8 11. Initial response to emergency situations attributable to the Satellite Well System
9 and LSPS equipment located on the Host and to other subsea facilities, as
10 requested by the Satellite Operator(s) and/or LSPS Operator, (e.g., spills, leaks).
11 The Host Operator shall promptly notify the Satellite Operator(s) and LSPS
12 Operator of such emergency situation and consult on response measures taken and
13 planned. The Host Operator shall continue initial emergency response operations
14 until (i) the appropriate Operator's personnel are directing emergency response
15 and inform the Host Operator that the LSPS Operator or Satellite Operator will
16 assume control of the emergency response operations underway and (ii) the
17 appropriate regulatory agency(s) approve the transfer of control of the response
18 operations to the Satellite Operator or LSPS Operator. The impacted Operator
19 will coordinate emergency response with the Host Operator as necessary for all
20 emergency response activities.
21
- 22 12. At the request of the Satellite Operator and/or the LSPS Operator, the Host
23 Operator shall, at its discretion, perform subsea remote operated vehicle ("ROV")
24 inspections of the Satellite Well System and LSPS in connection with regularly
25 scheduled ROV inspections. The LSPS Operator and Satellite Operators and the
26 Host Operator shall use reasonable efforts to minimize associated
27 mobilization/demobilization costs by coordinating such inspections with the Host
28 and Host subsea production system ROV operations. ROV inspections shall be at
29 time intervals prescribed by the BOEMRE and shall include:
30
- 31 (a) Piping and equipment associated with the Satellite Well System and LSPS;
32 (b) The route of the Satellite Well System and LSPS.
33
- 34 13. Hot oiling/pigging operations associated with the LSPS flowlines at the discretion
35 of the LSPS Operator and coordinated with the Host Operator, pursuant to hot
36 oiling/pigging procedures mutually agreed to between the Host Operator and
37 LSPS Operator.
38
- 39 14. Gas lift operations associated with the LSPS flowlines/risers at the discretion of
40 the LSPS Operator and coordinated with the Host Operator, pursuant to gas lift
41 procedures mutually agreed to between the Host Operator and LSPS Operator.
42
- 43 15. Disposal of flowline hydrostatic test water during initial instillation of the
44 Satelite Well System and LSPS.
45

- 1 16. Chemical injection services for the Satellite Well System and LSPS, including the
2 monitoring of injection rates, injection pressures and other typical injection
3 parameters.
- 4
- 5 17. Utilities and electrical power for the Satellite Well System and LSPS from Host
6 existing sources.
- 7
- 8 18. Real-time data and documentation relative to the performance of the services
9 listed above:
 - 10 (a) that may be required for regulatory compliance reporting,
 - 11 (b) that is consistent with the documentation procedures utilized by the Host
12 Operator, and
 - 13 (c) as mutually agreed by the Satellite Operators, the LSPS Operator, and Host
14 Operator
- 15
- 16 19. If subsea isolation valves (SSIVs) are installed then at the discretion of the Host
17 Operator (for the Satellite System) and LSPS Operator (for the Satellite Well
18 System), integrity testing of the flowline SSIVs in accordance with the subsea
19 production system procedures, and monitoring and control of the flowline SSIVs
20 through the Host emergency shutdown system.
- 21
- 22 20. Upon mutual agreement by the Host Operator and the Satellite Operator(s) on
23 acceptable Satellite Lease Production inlet parameters, the Producers shall be
24 allowed to unload the Satellite Lease wells to the Host upon the conclusion of
25 well completion operations or workovers on the Satellite wells. Such agreement
26 by the Host Operator shall not be unreasonably withheld. After such agreement
27 is reached, said well unloading services shall be performed by the Host Operator.
28 The Satellite Operators shall be solely responsible for all actual incremental costs
29 incurred by the Host Operator in providing the services described in this Section
30 20, including, but not limited to:
 - 31 (a) costs associated with additional and/or third-party equipment and/or personnel
32 the Host Operator may elect to use or have on standby in connection with
33 Satellite well unloading operations, and
 - 34 (b) the repair of any damage to, or the replacement of, equipment on the Host and
35 all facilities located thereon, including but not limited to the Facility Access
36 Modifications, Host Dedicated Facility, Host Common Facilities, the Oil
37 Export Pipeline, and the Gas Export Pipeline, to the extent such damage or
38 replacement results from the Satellite Leases unloading operations.
- 39
- 40 41 Well unloading operations shall conclude when, in the sole judgment of the Host
41 Operator, Production from the well being unloaded is suitable for introduction
42 into the normal process flow for production handling on the Host.
- 43
- 44
- 45

1 21. The Satellite Operators shall retain responsibility for all Satellite Well System
2 operations that are not performed from or on the Host including, but not limited
3 to, downhole well operations.

4

5 [Remainder of this page intentionally left blank]

**FIRST AMENDMENT OF THE PRODUCTION HANDLING AND
OPERATING SERVICES AGREEMENT**

PREAMBLE

This FIRST AMENDMENT OF THE PRODUCTION HANDLING AND OPERATING SERVICES AGREEMENT ("First Amendment") effective as of December 1, 2011, ("Effective Date") is entered into by and between BP EXPLORATION & PRODUCTION INC. ("BP"), hereinafter referred to as the "Owner", in its capacity as a co-owner of the "Host" (as defined herein below), and BP; NOBLE ENERGY, INC. ("Noble"); RED WILLOW OFFSHORE, LLC ("Red Willow"); and HOUSTON ENERGY DEEPWATER VENTURES I, LLC ("HEDV"), hereinafter referred to collectively as "Producers", in their respective capacity as co-owners of each of the "Satellite Leases" (as defined herein below); and BP, Noble, Red Willow, and HEDV, hereinafter referred to collectively as the "LSPS Owners" in their capacity as co-owners of the "Loop Subsea Production System" or "LSPS" (as defined herein below). Each signatory hereto is sometimes referred to singularly as a "Party" or collectively as the "Parties".

RECITALS:

WHEREAS, BP and Noble are co-owners of the Isabela Lease; and

WHEREAS, BP, Noble, Red Willow and HEDV are co-owners of the MC-519 Unit Leases; and

WHEREAS, the LSPS Owners are co-owners of the "Loop Subsea Production System" or "LSPS"; and

WHEREAS, Noble, Red Willow, HEDV and BP, in their capacity as Producers, entered into that certain Production Handling and Operating Services Agreement ("PHA") dated effective September 21, 2010 with BP in its capacity as co-owner of the Host; and

WHEREAS, Noble, Red Willow, HEDV and BP, in their capacity as LSPS Owners, entered into that certain Galapagos Area Loop Subsea Production System Construction and Operating Agreement ("LSPSOA") dated effective December 1, 2011 with BP in its capacity as operator of the LSPS; and

WHEREAS, the Parties desire to amend the PHA pursuant to the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1.

MC 519 Unit Leases Depth.

(a) Section 2.2.74 "MC519 Unit Leases" shall be deleted in its entirety and replaced with the following language:

"MC 519 Unit Leases" means the oil and gas leases OCS-G 27278 covering and affecting Mississippi Canyon Block 519 and OCS-G 21176 covering and affecting Mississippi Canyon Block 563 in the Gulf of Mexico."

(b) Section 15.16 Commitment of Oil and Gas Reserves shall be deleted in its entirety and replaced with the following language:

"Subject to Article X (*Term, Default, and Termination*) of this Agreement, for the life of the Satellite Leases, the Producers commit to: (i) deliver all Satellite Production to the Host for production handling, except that the Producers reserve unto themselves, their successors and assigns, the right: (a) to use quantities of Satellite Production sufficient to satisfy Satellite Leases' development and operations including, but not limited to, additional recovery operations and the use of gas for fuel, flaring, pigging, drilling, deepening, reworking, or other such lease operations; and (b) to use quantities of Satellite Production sufficient to satisfy any royalty interest in Satellite Production that the royalty owner may elect to take in kind."

2.

LSPS Cost Charging Procedure.

Section 5.1.4(b) Cost Charging Procedure shall be deleted in its entirety and replaced with the following language:

"(b) LSPS Direct Expense (including Routine Expenses and Non-Routine Expenses) incurred at the Host strictly for the benefit of the LSPS will be borne by the respective LSPS Owners but billed to the LSPS Operator. The LSPS Operator will not reapply an overhead charge to LSPS Direct Expense for charges passed down to LSPS Owners, once overhead has been applied from the Host Operator."

3.

Accounting Procedures.

Exhibit C Accounting Procedures, Article I General Provisions, Section 3. Advanced Payments by Non-Operators shall be deleted in its entirety and replaced with the following language:

"A. Unless otherwise provided for in this Agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay (except for expenditures for Facility Access Modifications) for the succeeding month's operation within thirty (30) days after receipt of the billing or by the first Day of the month for which the advance is required, which ever is later. Operator shall adjust each monthly billing to reflect

advances received from the Non-Operators. Non-Operators are required to advance their proportionate share of the estimated costs of any Facility Access Modifications per Section 3.3.2 of this Agreement.

B. Each Non-Operator shall pay its proportionate share of all bills within thirty (30) days of receipt date. If the payment due date for such bill falls on a weekend or on a statutory holiday, the payment will be due on the preceding business day. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Wall Street Journal on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser. In addition, the delinquent party shall bear attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the Wall Street Journal ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day of the month in which the payment was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed."

4. "BP Exploration & Production, Inc." shall be deleted in its entirety and replaced with "BP Exploration & Production Inc.".

5. Except as set forth herein, all other terms and conditions of the PHA shall remain in full force and effect.

6. This First Amendment may not be modified or amended except by written agreement executed by the Parties hereto.

7. This First Amendment may be executed by signing the original or a counterpart thereof. If this First Amendment is executed in multiple counterparts, each counterpart will be deemed an original and all counterparts when taken together will constitute but one and the same Agreement with the same effect as if all of the Parties had signed the same instrument. This First Amendment may also be ratified by separate instrument referring to this First Amendment and adopting by reference all the provisions of this First Amendment. A ratification of this First Amendment will have the same effect as an execution of the original First Amendment.

8. Capitalized terms used in this First Amendment not defined herein, shall have the same meaning given to them in the PHA.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this First Amendment is executed by each Party through its duly authorized agent or representative on the date shown below the respective signature of each, but is effective as of the Effective Date.

OWNER

BP EXPLORATION & PRODUCTION INC. (Owner)

By: D. H.
Name: Kemper Hoare
Title: ATTORNEY-IN-FACT
Date: 1/17/12

ISABELA PRODUCERS

BP EXPLORATION & PRODUCTION INC. (Isabela Producer and Operator)

By: D. H.
Name: Kemper Hoare
Title: ATTORNEY-IN-FACT
Date: 1/17/12

NOBLE ENERGY, INC. (Isabela Producer)

By: _____
Name: _____
Title: _____ P.P.H.
Date: _____

IN WITNESS WHEREOF, this First Amendment is executed by each Party through its duly authorized agent or representative on the date shown below the respective signature of each, but is effective as of the Effective Date.

OWNER

BP EXPLORATION & PRODUCTION INC. (Owner)

By: _____

Name: _____

Title: _____

Date: _____

ISABELA PRODUCERS

BP EXPLORATION & PRODUCTION INC. (Isabela Producer and Operator)

By: _____

Name: _____

Title: _____

Date: _____

NOBLE ENERGY, INC. (Isabela Producer)

By: John T. Lewis

Name: John T. Lewis

Title: Vice President

Date: January 20, 2012



MC 519 UNIT PRODUCERS

NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

By: _____

Name: _____

Title: _____

Date: _____

BP EXPLORATION & PRODUCTION INC. (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

By: P. David Amend

Name: P. David Amend

Title: Vice President LAND

Date: 1-18-12

MC 519 UNIT PRODUCERS

NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

By: _____

Name: _____

Title: _____

Date: _____

BP EXPLORATION & PRODUCTION INC. (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

By: Robert J. Voorhees

Name: Robert J. Voorhees

Title: President

Date: 1/20/12

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

MC 519 UNIT PRODUCERS

NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

By: John T. Lewis

Name: John T. Lewis

Title: Vice President

Date: January 20, 2012



BP EXPLORATION & PRODUCTION INC. (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

MC 519 UNIT PRODUCERS

NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

By: _____

Name: _____

Title: _____

Date: _____

BP EXPLORATION & PRODUCTION INC. (MC 519 Unit Producer)

By: 

Name: Kempie Hawk

Title: Associate in E&C

Date: 1/17/12

RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

LSPS OWNERS

BP EXPLORATION & PRODUCTION INC. (LSPS Owner and Operator)

By: _____

Name: _____

Title: _____

Date: _____

NOBLE ENERGY, INC. (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (LSPS Owner)

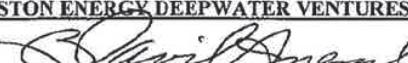
By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)

By: 

Name: P. David Amend

Title: Vice President Land

Date: 1-18-12

LSPS OWNERS

BP EXPLORATION & PRODUCTION INC. (LSPS Owner and Operator)

By: _____

Name: _____

Title: _____

Date: _____

NOBLE ENERGY, INC. (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (LSPS Owner)

By: 

Name: Robert J. Voorhees

Title: President

Date: 1/20/12

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

LSPS OWNERS

BP EXPLORATION & PRODUCTION INC. (LSPS Owner and Operator)

By: _____

Name: _____

Title: _____

Date: _____

NOBLE ENERGY, INC. (LSPS Owner)

By: John T. Lewis

Name: John T. Lewis

Title: Vice President

Date: January 20, 2012

RED WILLOW OFFSHORE, LLC (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)

By: _____

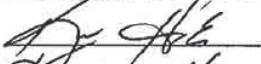
Name: _____

Title: _____

Date: _____

LSPS OWNERS

BP EXPLORATION & PRODUCTION INC. (LSPS Owner and Operator)

By: 

Name: George H. Howes

Title: Attorney-in-Fact

Date: 1/17/12

NOBLE ENERGY, INC. (LSPS Owner)

By: _____

Name: _____

Title: 

Date: _____

RED WILLOW OFFSHORE, LLC (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

**SECOND AMENDMENT TO
PRODUCTION HANDLING AND OPERATING SERVICES AGREEMENT**

This Second Amendment to the Production Handling and Operating Services Agreement (this “**Agreement**”) is made effective as of October 15, 2018 (the “**Effective Date**”) by and among BP Exploration & Production Inc. (“**BP**”), Fieldwood Energy LLC (“**Fieldwood**”), Red Willow Offshore, LLC (“**Red Willow**”) and Houston Energy Deepwater Ventures I, LLC (“**HEDV**”). BP, Fieldwood, Red Willow and HEDV may each be referred to herein as a “**Party**” or collectively as “**Parties**”.

WITNESSETH

WHEREAS, reference is made to that certain Production Handling and Operating Services Agreement effective as of September 21, 2010, by and between BP, Noble Energy, Inc., Red Willow and HEDV, as amended by that certain First Amendment of the Production Handling and Operating Services Agreement effective as of December 1, 2011, by and between BP, Noble Energy, Inc., Red Willow and HEDV (the “**PHA**”); and

WHEREAS, the Parties desire to amend the definition of MC 519 UOA of the PHA to reflect a newly contemplated joint operating agreement;

NOW, THEREFORE, in consideration of the promises, mutual covenants and conditions herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. As of the Effective Date, Section 1.2.3 of the PHA shall be deleted in its entirety and replaced with the following:

Except for the Operating Services with respect to the MC 519 Unit Leases described in Article IV (Services) of this Agreement which shall be performed by the Host Operator hereunder, the provisions of (a) the MC 519 Unit Operating Agreement effective as of January 1, 2009 by and between BP, Noble, Red Willow and HEDV as amended by that certain First Amendment of the Unit Operating Agreement and Establishment of Lease Offshore Operating Agreements, dated effective as of October 10, 2014, by and among BP, Red Willow, HEDV, Noble Energy, Inc., Deep Gulf Energy III, LLC, Ridgewood South Santa Cruz, LLC and ILX Prospect South Santa Cruz, LLC as the owners of that portion of the MC 519 Unit Leases that does not cover the Operating Rights Interest in the SW4 and S2 NW4 from 0 – 14,000’ TVDSS (the “**CPN Prospect**”), hereinafter referred to as (the “**MC 519 Agreement**”) shall govern the rights, duties and obligations among such Producers associated with: (i) operations on such portions of the MC 519 Unit Leases; (ii) those portions of the Satellite Well System located on such portions of the MC 519 Unit Leases; and (iii) the decision-making process between the owners of such portions of the MC 519 Unit Leases related to this Agreement and (b) the provisions of the CPN Prospect Joint Operating Agreement effective as of October 15, 2018 by and among BP, Fieldwood Energy LLC, Red Willow and HEDV as the owners of the MC 519 Unit Leases to the extent covering the CPN Prospect (“**CPN Prospect JOA**”) shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the CPN Prospect; (ii) those portions of the Satellite Well System located on the CPN Prospect; and (iii) the decision-making process between the owners of the CPN Prospect related to this Agreement. In this Agreement, the term “**MC 519 UOA**” shall refer to both the MC 519 Agreement and CPN Prospect JOA, as applicable.

2. The Parties hereby ratify Fieldwood as the successor in interest to Noble Energy, Inc. and agree that all references in the PHA to "Noble Energy, Inc." or "Noble" or similar references shall refer to Fieldwood as of the date Fieldwood was assigned its interest in the PHA. All other terms and provisions of the PHA shall remain in full force and effect.
3. This Agreement may be executed in multiple counterparts, each of which when so executed shall be given the effect of execution of the original instrument. When so executed, the signatures of the Parties as attached hereto may be combined in, and treated, and given effect, for all purposes as a single instrument. The execution of this Agreement by electronic means shall have the same force and effect as delivery of an original document with original signatures and each Party may use such signatures as evidence of the execution and delivery of this Agreement by the Parties.
4. This Agreement shall be binding on the Parties, their successors and assigns forever.

[Signature page to follow.]

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: Danielle Scott
Name: Danielle Scott
Title: Authorized Person
Date: December 10, 2018

Fieldwood Energy LLC

By: _____
Name: _____
Title: _____
Date: _____

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

By: _____
Name: _____
Title: _____
Date: _____

[Signature Page to the Second Amendment to the PIA]

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

Fieldwood Energy LLC

By: John H. Smith
Name: John H. Smith
Title: Sr. V.P. Land + Business Development
Date: 12/6/18

Red Willow Offshore, LLC

By: Richard L. Smith
Name: Richard L. Smith
Title: Executive Vice President - Offshore
Date: 12/4/2018

Houston Energy Deepwater Ventures I, LLC

By: _____
Name: _____
Title: _____
Date: _____

[Signature Page to the Second Amendment to the PHA]

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

Fieldwood Energy LLC

By: John H. Smith
Name: John H. Smith
Title: Sr. V.P. Land + Business Development
Date: 12/06/18

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

By: P. David Amend
Name: P. David Amend
Title: Vice President, Land
Date: November 28, 2018

[Signature Page to the Second Amendment to the PHA]

Execution Version

**THIRD AMENDMENT TO
PRODUCTION HANDLING AND OPERATING SERVICES AGREEMENT**

This Third Amendment to the Production Handling and Operating Services Agreement (this “**Agreement**”) is made effective as of May 1, 2019 (the “**Effective Date**”) by and among BP Exploration & Production Inc. (“**BP**”), Fieldwood Energy LLC (“**Fieldwood**”), Red Willow Offshore, LLC (“**Red Willow**”) and Houston Energy Deepwater Ventures I, LLC (“**HEDV**”). BP, Fieldwood, Red Willow and HEDV may each be referred to herein as a “**Party**” or collectively as “**Parties**”.

WITNESSETH

WHEREAS, reference is made to that certain Production Handling and Operating Services Agreement effective as of September 21, 2010, by and between BP, Noble Energy, Inc. (predecessor in interest of Fieldwood), Red Willow and HEDV, as amended by that certain (a) First Amendment of the Production Handling and Operating Services Agreement effective as of December 1, 2011, by and between BP, Noble Energy, Inc., Red Willow and HEDV and (b) Second Amendment of the Production Handling and Operating Services Agreement effective as of October 15, 2018, by and among BP, Fieldwood, Red Willow and HEDV (the “**PHA**”); and

WHEREAS, the Parties desire to amend the definition of MC 519 UOA of the PHA to reflect newly contemplated joint operating agreements, and to reflect a change in certain handling charges as more specifically set forth herein;

NOW, THEREFORE, in consideration of the promises, mutual covenants and conditions herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. As of the Effective Date, Section 1.2.3 of the PHA shall be deleted in its entirety and replaced with the following:

Except for the Operating Services with respect to the MC 519 Unit Leases described in Article IV (*Services*) of this Agreement which shall be performed by the Host Operator hereunder, the provisions of (a) the MC 519 Unit Operating Agreement effective as of January 1, 2009 by and between BP, Noble, Red Willow and HEDV (as the same may be further amended from time to time) as the owners of that portion of the MC 519 Unit Leases that covers the Record Title Interest in all of Mississippi Canyon Block 519, the Operating Rights Interest in the SE/4 and S/2 SE/4 NE/4 of Mississippi Canyon Block 519 from 0 – 19,300’ TVDSS (the “**MC 519 Unit Area**”), hereinafter referred to as (the “**MC 519 Agreement**”) shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the MC 519 Unit Area; (ii) those portions of the Satellite Well System located on the MC 519 Unit Area; and (iii) the decision-making process between the owners of the MC 519 Unit Area related to this Agreement; (b) the provisions of the CPN Joint Operating Agreement effective as of October 15, 2018 by and among BP, Fieldwood Energy LLC, Red Willow and HEDV (as the same may be further amended from time to time) as the owners of the MC 519 Unit Leases to the extent covering the SW/4 and S/2 NW/4 of the Mississippi Canyon Block 519 from 0 – 14,000’ TVDSS (the “**CPN Prospect**”) (such agreement, the “**CPN Prospect JOA**”) shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the CPN Prospect; (ii) those portions of the Satellite Well System located on the CPN Prospect; and (iii) the decision-making process between the owners of the CPN Prospect related to this Agreement, (c) the Retained Operating Rights Joint Operating Agreement effective as of May 1, 2019 by and among BP, Fieldwood Energy LLC, Red Willow and HEDV (as the

same may be further amended from time to time) as the owners of the MC 519 Unit Leases to the extent covering the Operating Rights Interest in (i) the N/2 NE/4, SW/4 NE/4, N/2 SE/4 NE/4 and N/2 NW/4 of Mississippi Canyon Block 519 and depths extending from the surface to 99,999' TVDSS, (ii) the S/2 NW/4 of Mississippi Canyon Block 519 and depths extending from 14,000' to 99,999' TVDSS, and (iii) the S/2 and S/2 SE/4 NE/4 of Mississippi Canyon Block 519 and depths extending from 19,300' to 99,999' TVDSS (the "**Retained Operating Rights Area**") (such agreement, the "**Retained Operating Rights JOA**") shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the Retained Operating Rights Area; (ii) those portions of the Satellite Well System located on the Retained Operating Rights Area; and (iii) the decision-making process between the owners of the Retained Operating Rights Area related to this Agreement and (d) the SASC Joint Operating Agreement effective as of May 1, 2019 by and among BP, Fieldwood Energy LLC, Red Willow and HEDV (as the same may be further amended from time to time) as owners of the MC 519 Unit Leases to the extent covering the Operating Rights Interest in the SW/4 of Mississippi Canyon Block 519 and from depths extending from 14,000 – 19,300' TVDSS (the "**SASC Area**") (such agreement, the "**SASC JOA**") shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the SASC Area; (ii) those portions of the Satellite Well System located on the SASC Area; and (iii) the decision-making process between the owners of SASC Area related to this Agreement. In this Agreement, the term "**MC 519 UOA**" shall refer to the MC 519 Agreement, the CPN Prospect JOA, the Retained Operating Rights JOA and the SASC JOA, as applicable.

2. Notwithstanding anything contained to the contrary in the PHA, effective as of the Effective Date, with respect to the water that is produced from
 - a. that certain well operated by Fieldwood Energy LLC and bearing API Well Number 608174116201 known as the Santa Cruz well, and
 - b. that certain well operated by Fieldwood Energy LLC and bearing API Well Number 608174118401 known as the Santiago well,

the water handling fee set forth in Section 5.3.4(c) of the PHA for such water produced from the wells described in Sections 2(a) and 2(b) above shall be [REDACTED] per Barrel of such water allocated to each Producer on a monthly basis and Section 5.3.4(d) of the PHA shall no longer apply to such water handling fees for the life of such wells.

3. Notwithstanding anything contained to the contrary in the PHA, effective as of the Effective Date, with respect to the first well that is successfully completed within the SE/4 and S/2 SE/4 NE/4 of Mississippi Canyon Block 519 from depths extending from the surface to 19,300' from the surface TVDSS, the fee for the Oil, Gas and water that is produced from such well shall be as follows: (a) the Oil handling fee set forth in Section 5.3.4(a) of the PHA for such Oil shall be [REDACTED] per Barrel of such Oil Production allocated to each Producer on a monthly basis, (b) the Gas handling fee set forth in Section 5.3.4(b) of the PHA for such Gas shall be [REDACTED] per MSCF of such Gas Production allocated to each Producer on a monthly basis, (c) the water handling fee set forth in Section 5.3.4(c) of the PHA for such water produced shall be [REDACTED] per Barrel of such water allocated to each Producer on a monthly basis, and (d) Section 5.3.4(d) of the PHA shall no longer apply to such Oil, Gas and water handling fees for such well.
4. All other terms and provisions of the PHA shall remain in full force and effect.

5. This Agreement may be executed in multiple counterparts, each of which when so executed shall be given the effect of execution of the original instrument. When so executed, the signatures of the Parties as attached hereto may be combined in, and treated, and given effect, for all purposes as a single instrument. The execution of this Agreement by electronic means shall have the same force and effect as delivery of an original document with original signatures and each Party may use such signatures as evidence of the execution and delivery of this Agreement by the Parties.
6. This Agreement shall be binding on the Parties, their successors and assigns forever.

[Signature page to follow.]

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: Danielle Scott
Name: Danielle Scott
Title: Authorized Person
Date: 5/16/2019

Fieldwood Energy LLC

By: _____
Name: _____
Title: _____
Date: _____

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

By: _____
Name: _____
Title: _____
Date: _____

[Signature Page to Third Amendment to Production Handling and Operating Services Agreement]

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

Fieldwood Energy LLC

By: JHD L
Name: John H. Smith II
Title: Sr. Vice President
Date: 16 May 2019

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

By: _____
Name: _____
Title: _____
Date: _____

[Signature Page to Third Amendment to Production Handling and Operating Services Agreement]

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

Fieldwood Energy LLC

By: _____
Name: _____
Title: _____
Date: _____

Red Willow Offshore, LLC

By: Richard L. Smith 
Name: Richard L. Smith 
Title: Executive Vice President - Offshore
Date: 5/16/2019

Houston Energy Deepwater Ventures I, LLC

By: _____
Name: _____
Title: _____
Date: _____

[Signature Page to Third Amendment to Production Handling and Operating Services Agreement]

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

Fieldwood Energy LLC

By: _____
Name: _____
Title: _____
Date: _____

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

By: P. David Amend
Name: P. David Amend
Title: Vice President, Land
Date: 5/16/2019

[Signature Page to Third Amendment to Production Handling and Operating Services Agreement]